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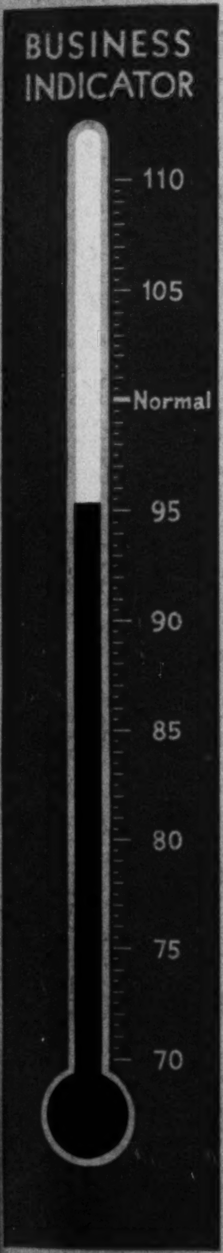
THE BUSINESS WEEK

JULY 9, 1930



DEVELOPMENTS of the past week strengthen the conviction that a period of stabilization has set in, in preparation for the process of business recovery. Nothing has occurred to alter the view expressed in last week's issue that this process will become evident, even through blue glasses, at the beginning of August. . . . . Our preliminary index of general business activity for this week, with one component estimated, has risen further, from 93.9% of normal to 95.2%. (See pages 33-34.) Occasional downward fluctuations may be expected from time to time in the next few weeks, but a return to the low level of the middle of June is unlikely. . . . . The general trade indicators as a group have risen sharply, and are within two per cent of normal, while productive activity remains considerably below normal. Commercial loans are increasing with seasonal demand, and the general rate of credit expansion continues considerably above normal and rising steadily. The rate of commodity price decline is below the average of the past year, and in some key markets greater steadiness has appeared. . . . . The stock market, too, shows some signs of greater sanity, though still hopelessly out of touch with fundamental business realities. More aggressive open market operations by the Federal Reserve and less cautious support of the wheat market by the Farm Board would help swing the balance more surely and swiftly in the direction of recovery at a critical time.

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The Ford plane is planned, constructed and operated as a commercial transport. Built of corrugated aluminum alloys, it has great structural strength, unequaled durabilit and is most economical to main in operation. The uniformity o material is determined by scientu test. All planes have three motors in order to insure reserve power to meet and overcome all emergencies. The engines may be Wright, Pratt & Whitney or Packard Diesel, totaling from 675 to 1275 horse-power. Ford planes have a cruising range of from 580 to 650 miles and a speed range of 55 to 135 miles per hour. Loads may be carried weighing from 3630 to 6000 pounds.

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The price of the Ford tri-motored, all-metal plane is exceptionally low —$40,000 to $50,000 at Dearborn.

Ford branches will be glad to give you information on all Ford tri-motored, all-metal planes.

When the secretary of The Philadelphia Club of Advertising Women recently sent out notice to members that reservations were being made to attend a convention in Washington by airplane, her return mail brought 33 definite reservations from women. This appeared to be startling news to conservative old Philadelphia!

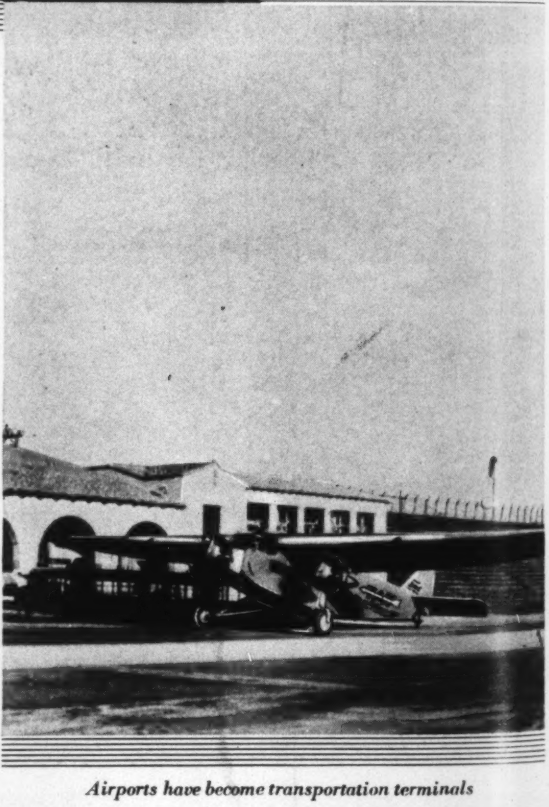
Comparison with other cities and other places brought forth the astounding fact that now the cost of air travel on most of the established passenger lines is no more on the average than train travel, suddenly the crowd has turned skyward.

Since the reduction in Air-Rail rates by T.A.T.-Maddux between New York and St. Louis, from $97.43 to $68, planes have been carrying capacity loads. On Colonial Airways between New York and Boston, where the rates went from $34.85 to $17.43, extra planes have been put in service. . . . Accommodation must now be ordered in advance for space on the popular transport planes of the Southwest Air Fast Express. . . . Up to February, the Oakland-San Francisco ferry plane, flying at fifteen-minute intervals, carried 18,000 passengers at $1.50 fare. . . . The Stout Air Lines have been flying from Detroit with the regularity and dependability of trains, crowded. . . . Almost every transport line reports the same extraordinary upward trend in air travel!

A great number of planes in use on passenger air lines are Ford tri-motored, all-metal planes, preferred by passengers everywhere because of their safety and stability.

FORD MOTOR COMPANY

Visitors are always welcome at the Ford Airport at Detroit



Airports have become transportation terminals

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What's In This Issue —And Why

Upturn

Our forecast that upturn of business would be apparent to everyone by August 1, and normal by October, was not mere "wish-thinking"; it had a solid foundation. Eight definite facts show that the tide already has turned. *(page 5)*

Price Declines

Prices of many commodities, including some of the most important, are uncomfortably near pre-war levels. But the classic history of such declines need not repeat itself, we believe. Greatly improved banking machinery, closer world cooperation, can avert long and painful dislocation. *(page 7)*

Tariff

Effect of the new tariff on wages, on the cost of living, on the total volume of domestic business, is vague, hard to calculate, but probably overestimated. *(page 27)*

Labor Unions

Vigorous combat between John L. Lewis's loyal wing of the United Mine Workers and the new insurgent wing is watched keenly by operators. Some of them see promise of better times should the insurgents win. *(page 13)*

Union labor in Lynn, Mass., agrees to a 12½% cut in wages in new factories to make $4 shoes; refuses a similar cut to factories making more expensive shoes. *(page 14)*

Cabin-Class

Travellers to Europe this summer are about as numerous as ever, but there is one significant change—they are taking cheaper accommodations. *(page 14)*

Holding Companies

Congress may not pass the Couzens resolution to hold up railroad consolidation, but one thing it is going to do—it is going to find out who owns what railroads, through a thorough investigation of holding companies. *(page 11)*

Picking Competitors

P. W. Chapman picks his competitors carefully. He is the country's largest investor in independent telephones—competing with A. T. & T.—is the owner of the United States Lines—competing with all the world. He comes from the corn belt, doesn't care for travel, has been to Europe once. *(page 22)*

Navy Methods?

Jewel Tea sells groceries and management. Four men who got acquainted in the Navy during the war have put Jewel Tea management on the map. *(page 25)*

Regional Survey

Detailed study of business in the 12 Federal Reserve districts shows check payments, building operations, picking up here and there. *(page 38)*

Loans and Diplomats

The State Department will continue to censor foreign loans to be floated here; crisply tells the Senate it has ample authority. *(page 15)*

Suburban America

The big story of the 1930 census is the shift of great populations from congested areas to suburbs. Merchants study new problems this raises. *(page 16)*

Radburn, N. J., is doing some of the most interesting pioneering in suburban development—incidentally sold homes steadily throughout the business slump. *(page 19)*

Traction

Chicago voted Tuesday to unify its traction lines; actual work started Wednesday. Improvements planned include a subway. *(page 10)*

THE HIGH SPEED MACHINE FOR ALL FIGURE WORK

If competition were a factor in office management—?

WHERE would your office stand economically in comparison with selling and production departments under the stress of competition?

Suppose for example that in the Accounting Department—the nerve center of every office and every business—all your figure work output were a merchantable commodity. And that, as a commodity, it were in direct competition with like products of other offices.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 5, 1930

Here Are Eight Solid Facts That Point to Business Upturn

1. Expanding Bank Credit. 2. Idle Money Seeking a Job. 3. Bare Shelves. 4. Sustained Public Buying Power. 5. Farm Income Prospects. 6. Raw Materials Imports. 7. Home Building. 8. Automobile Outlook

AFTER nearly a year of rapid and practically continuous decline in business activity and commodity prices, which started at the end of July, 1929, the underlying forces are beginning to turn in the direction of recovery. In last week's issue *The Business Week* said that there would be no perceptible change during the next few weeks, but that by the beginning of August a fairly definite and general upward trend in general business activity would be evident in our weekly index and by October it would be touching the normal line again.

This mid-year forecast of the business trend during the next quarter is quite contrary to the prevalent pessimism of business opinion, particularly in New York and especially at the lower end of New York, where sentiment is steeped in a saturated solution of indigo.

Like Tide at Ebb

It is shared, however, by a few hitherto highly esteemed soothsayers like Dr. Ayres and the Harvard Economic Service, though they are still a bit reluctant to burn their bridges behind them by naming dates. Some of the banks, too, show a little less leaning toward the long-depression sentiment. The Central Trust Company of Illinois says in its July digest of trade conditions that "current inquiries regarding the general business situation suggest that most of us have been watching the waves instead of the tides. . . . Our study of figures on fundamental business operations discloses improvement over last year-end, and over the early months of the current year."

The bank's simile is appropriate; the current business situation closely resembles the behavior of the tide at ebb; recurrent waves of liquidation in commodities and securities roll up, and will continue to do so for months in some lines, but they become progressively shorter and less violent, and beneath them the level of the water ceases to fall and begins slowly to rise.

This forecast is based on the following facts indicating that the forces which are bound to bring recovery in the course of time are at work, and on the following scattered signs that such recovery is not to be merely in the course of time but has actually begun.

Expanding Bank Credit

1. The *rate* of expansion of bank credit, as measured by the total loans and investments of the weekly reporting member banks of the Federal Reserve System in principal cities, which had been decreasing fairly regularly and very rapidly since November, has been increasing steadily and fast since the end of February. When due allowance is made for the usual seasonal factors and for the level of prices in which that volume of credit is working, the current rate of expansion is about 1% above the normal rate—that is, the rate required to sustain a stable general level of prices when the volume of general trade itself is increasing at its usual pace.

This means that, so long as this expansion continues, either price levels or the volume of business activity is bound to rise—or both.

Idle Money Seeking a Job

2. Deposits of weekly reporting member banks have been increasing even more rapidly than loans and investments. This means that large amounts of idle funds are accumulating awaiting investment or other use. More than three-quarters of a billion were added to funds available for investment when corporation interest and dividend payments were made July 1. Over $2,800 millions have been withdrawn from the security market since a year ago.

Recent cutting of interest rates on time deposits in New York City will stimulate such idle funds to look for work. The loss from idleness of capital is probably much greater than that from unemployment of labor at this time, and readiness to take a lower wage is greater also.

Since such idle capital is greatest and its wages lowest in New York, such of it as has come from out of town will begin to trek back home for a job.

Bare Shelves

3. Productive activity has averaged about 10% below normal during the past 6 months, while general trade has run on the average less than half as much below normal during this period. For four or five weeks in this period our index of general trade, which represents all stages of distribution, was in fact at, or above, normal. At the end of the line of consumption, in retail trade, all evidence indicates that the volume of goods moving has increased fairly steadily and during most of the period has been above last year. Special sales, disposal of slow-moving lines and strict hand-to-mouth buying have greatly reduced retail stocks. Large declines in wholesale trade and in railroad movement of merchandise indicate that there has been very little replenishment of stocks to meet future consumer demand.

This means that the national larder is getting bare and a great shortage of consumers' goods has developed which will have to be made up quickly and on a large scale unless consumer buying power is declining rapidly, which is not the case.

Sustained Buying Power

4. While payrolls have been running about 15% below, dividend and interest payments have averaged 15% higher than in the first half of 1929 and savings deposits are larger than a year ago. At the same time wholesale prices have declined about 10%, the cost of living about 3%, in the past year and these price declines are continuing. Although employment has not much improved, excepting in building and other seasonal

and outdoor work, it shows no sign of further decrease. There has been a definite increase in the amount of consumer credit outstanding as represented by department store accounts, and not much change in the volume of instalment financing.

All this means that the purchasing power of the consumer public has not been greatly decreased, and helps to explain the continued high level of general trade in face of a drastic curtailment of production. Such a situation is an irresistible stimulus to recovery.

Farm Income Prospects

5. Prevailing low prices of agricultural staples are not a decisive measure of prospective farm income for the crop year July, 1930-June, 1931. The most careful studies indicate that the world carryover of wheat July 31 will not be above that of last year, though larger than the average of recent years, and that wheat prices should be steady or rising during July. Possibility of more aggressive action by the Farm Board in holding the present crop and campaigning for acreage reduction later, as well as the constant possibility of crop scares during the next few months, increases the chances of fairly steady or rising wheat and cotton prices. Even though prices remain at present levels, farm wages are lowest since 1923, fertilizer prices more than 3% below last year and farm production costs generally have been cut considerably.

This means the chances are that farm income will not be as low as in 1926-27, though somewhat lower than last year.

Raw Materials Imports

6. Recovery in business and commodity prices here does not depend upon recovery in other countries. The United States exercises a dominant influence upon world economic conditions, and recovery here will start recovery elsewhere. The United States consumes the bulk of the raw materials of the world, and sustained buying power for these materials will bring price recovery the world over. The volume of imports in April and May was running at practically normal levels. The bulk of these imports are raw materials, and the new tariff can affect them only very slightly.

This means that American purchasing power for foreign raw products is being maintained, and basis for recovery in world prices of staple commodities is thus being laid.

Practical cessation of gold movements to this country during the past month, foreign loans in the first half of this year more than three times as great as last year, large volumes of new loans in preparation for flotation in the early fall, and aggressive efforts to restrict foreign production of certain staples, like rubber and tin, will help to bring about a stabilization or an upward movement of world commodity prices before the end of this quarter.

Home Building

7. After 24 months of continuous decline in residential building construction there was a slight upturn in May for the country as a whole, when allowance is made for the usual seasonal drop between April and May. Awards for single family residential construction were larger than those for hotel and apartment construction in all sections except the city of New York. Demand for small homes in suburban areas adjacent to larger eastern cities increased during May.

In a considerable number of building centers there was an actual increase in residential volume in May over April. Building contract awards in New York state for May were larger than last year. Residential building contracts have increased steadily month by month since January in the Boston, New York, Cleveland, and Dallas Federal Reserve districts. In the Minneapolis district construction awards during the first 11 days of June were nearly 75% above those for last June. Shortages of single family dwellings and apartments are indicated in cities in the Middle Atlantic, the West North Central, East North Central and West South Central regions. A shortage of approximately 10% in new residential accommodations in proportion to the growth of population accumulated in 1929, and very little progress has been seen toward making up this shortage during the first half of this year. There has been a definite relaxation of small mortgage funds by building and loan associations, savings banks and insurance companies, and increased applications for loans for new construction and remodelling and repair work.

All these signs indicate that residential building, which is a dominant factor in construction and general business activity, has ceased to decline and is beginning to turn upward again.

Automobile Outlook

8. Finally, automobile production, the other key factor in business revival, has run up to June at about the 1928 level, along with buying demand somewhat above that level. Stocks of new cars in dealers' hands are at normal or average levels.

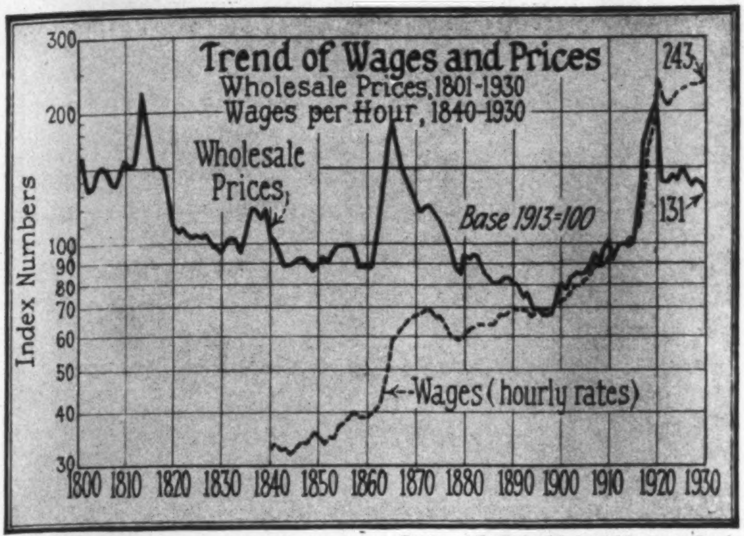
Further drastic curtailment of production in June and July may be expected to prepare the way for an upturn in August, which will be supported during the fall months by anticipation of a good year in 1931.

NATIONAL AIR RACES
AT
CHICAGO
VIA AIR MAIL
AUG. 23rd - SEPT. 1st

Pacific & Atlantic

THE AIR MAIL GOES BIG

Cliff Henderson (left), general manager of the National Air Races, uses the air mail to send out invitations while Postmaster Arthur C. Leuder of Chicago cancels stamps by the square foot



Courtesy of the National Industrial Conference Board

New World Credit Machinery Can Control Price Decline

Federal Reserve, Closer Cooperation of Central Banks, Can Prevent Long and Painful Dislocation of Business

OF the 294 staple commodities of domestic and world commerce whose minimum quoted wholesale prices are compiled by R. G. Dun & Co. each week, 63 commodities, or 20% of the list for the week ending June 20, had fallen either below or near pre-war levels. There were 32 quotations actually below the level of June 21, 1913, or June 20, 1914, while 31 were very near the figures for those dates. A broader list of commodities would probably show still more of them sinking toward pre-war levels, but some of the most important—wheat, rye, barley, coffee, cocoa, sugar, cotton, silk, rayon, hay, hides, rubber, copper, tin, zinc, silver, coal—in recent weeks have been hovering in that highly problematic neighborhood.

30% Above 1913 Level

The general average of wholesale prices is now only about 30% above the 1913 level. In Great Britain it is much nearer—only about 17% above.

Everybody knew vaguely, without thinking very much about it, that prices have been declining irregularly since 1925, almost the world over, and very rapidly since last July. In England the fall has been over 28% since 1925, and 14% in the past year. But there is something startling now in this decline as we see the old price standards—the long-submerged rocks of 1914—begin to emerge as the tide of inflation during the past 16 years subsides.

No wonder Sir Josiah Stamp, recently here, has been saying repeatedly in the past few years: "The problem of the price level is the most important single problem of our age." There is nothing theoretical about that problem. "It is the most bitterly practical of all questions." The problem is not what the price level is, but what it is going to be. "Quite as good business can be done on one price level as on a level twice the height, provided it is a stable level and all the factors have been fairly adjusted to that level. It is the transition from one to the other, without an even or proportionate change in all the factors, that works the mischief."

Slowly falling prices are a deadening influence on business itself. They may provide good times for the people who are at work because real wages increase; but they gradually reduce the number that are at work for they continually restrict the area of profitable business. This was the creeping paralysis that came over business in the eighteen-eighties, in the last stages of the price decline after the Civil War.

Another effect is that, as the purchasing power of money increases, all receivers of fixed payments, such as interest on government loans, take a larger toll of the national production. Tax burdens become heavier though rates may remain the same; and the weight of all debts increases.

More important is the fact that wage settlements and labor relations do not stay put. As Stamp says: "Ten years' work in building up a spirit of solidarity and community of interest in the productive field can be destroyed by a single year's rise or fall in the price level."

The Problem of the Moment

This greatest problem of the age has apparently become today the problem of the moment. The rapid fall of prices since last July has concentrated it in this year, and upon certain commodities of universal use which occupy the key position in the whole price structure. The central question is whether prices of such commodities, like wheat, cotton, copper, which have crashed through to the 1914 level, are going to stay there and bring the whole price structure—of other commodities, of wages, of securities, of land and other forms of capital—with them. If they are, it will mean a prolonged and painful readjustment of the whole structure of world business.

The chart on this page shows the vast sweeping changes in the price level in this country over the past 130 years. Each war period, the War of 1812, which coincided with the Napoleonic Wars in Europe, the Civil War, the World War, brought with it a vast inflation of prices. Other influences entered at times. The Spanish American War, a small local affair, happened to coincide with the beginning of a great influx of gold after the opening of South Africa, and this led to a steady rise of prices up to the World War, starting point for a new period of inflation sharper and greater than any before.

Business More Efficient

Historical analogy apparently supports the very prevalent view that the future movement of the price level must be downward until another bigger and better war starts another inflation period. This might be slow, extending over a period of twenty-five years, but the effects would be none the less serious. The depression of 1893 was the culmination of such a long period of falling prices following the Civil War.

This view must be taken with a very

liberal quantity of salt, however. The general downward drift of the price level over the past century, in long waves, is really only a natural reflection of the steadily increasing business efficiency of the world, which enables it to do a larger volume of business and produce greater quantities of goods at a lower level of prices and costs and with a smaller volume of money. This is a sign of progress, not retrogression. The waves are merely reflections of periods when credit or the volume of monetary purchasing power has been increased faster than the volume of business and production. The normal tendency is the reverse.

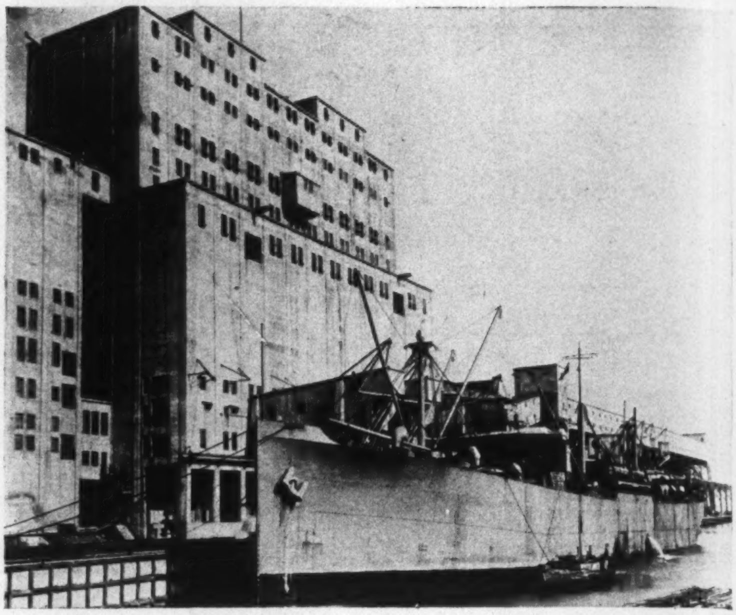
New Control Machinery

All this means that the price level is something that is affected by outside influences and can be controlled within broad limits and over long periods of time. This control has been made more possible and certain by the formation of the Federal Reserve system in the past sixteen years, and the closer cooperation of the central banking systems of the most important countries of the world since the war. This new machinery of credit control, which never existed before, makes it possible to utilize gold reserves of the world more efficiently for the expansion of monetary purchasing power in closer relation to the increasing efficiency of business, and so to check both excessive inflation and deflation of the price level.

The technique of this is far from perfect, but much has been learned in recent years, and there is no reason why a drastic revaluation of values such as would follow a quick return to the 1914 price level cannot be checked, and made so gradual, if necessary at all, as to be harmless.

Wage Rise Significant

Another significant and encouraging fact, seen clearly in the chart, is that the downward drift of the price level in the long past has accompanied without preventing the steady rise of wages. This, too, is a reflection of the irresistible tendency inherent in the modern industrial system toward greater efficiency in the utilization of labor and toward steadily rising standards of living. Wages on the whole have never followed prices downward for long. The margin between wages and prices has been steadily cut down, and since the war has been reversed, as the efficiency of the industrial system has steadily increased.



Keystone

BALTIMORE GOES IN FOR WHEAT

The Pennsylvania Railroad's new elevator can handle grain from car to scale to ship without going through the bins. Baltimore stands fourth as a wheat export port, third in general cargo, handling 20 million tons valued at $787 millions last year. Russian wheat may enter here if Soviet port plans, now pending, are confirmed

Compared with the great waves of price deflation under the unorganized banking conditions of the past, the drop in prices in the past year is an almost imperceptible fluctuation. Forces have been at work tending to retard the decline after the first sharp deflation following the war. The average annual rate of increase of total bank credit in this country since 1913 compared with the average rate of increase of the total volume of business is sufficient to sustain a price level about 50% above the pre-war level—and this has been the average during the years since 1921. If this rate of credit increase is maintained—and the gold reserves of the United States are ample for the purpose—there is no reason why the average price level of recent years cannot be maintained, and the dip during the past year made a temporary one. But this will require intelligent, watchful action, and greater public awareness of the dangers involved in letting prices get out of control.

As Sir Josiah Stamp says: "Public opinion must get in the habit of asking about every question involving contractual relations and monetary values over long periods of time, or between nations or large classes of people, with public or international policy involved—What are the consequences if it does not stay put?"

Wheat and Cotton Firmer; Price Outlook Improves

WHEAT and cotton hold the key to the critical world price situation. Both have steadied in the past week, and the precipitate declines of the first weeks in June have been halted.

Foreign demand for wheat and flour has improved considerably, and foreign crop prospects are less favorable. Visible supplies are decreasing, in contrast to the situation last year at this time. This strengthening has come without evident support by Farm Board agencies, who are merely refraining from selling present holdings, which are probably sufficient to keep the carryover at the end of the wheat year, July 31, from being greater than last year's. The board apparently does not intend to try to boost the market, and is concentrating on a drive to cut new acreage this fall and urging farmers to hold grain on farms, with some success. The world situation indicates that prices should continue steady or rising during July.

The new cotton crop is coming to market, and will probably be larger than last year, with good yield and only slightly lower acreage. Farm Board agencies, however, are in fairly good control of the market and little if any further decline may be expected.

Standard Re-opens 1911 Decree In Face of 1930 Invasion

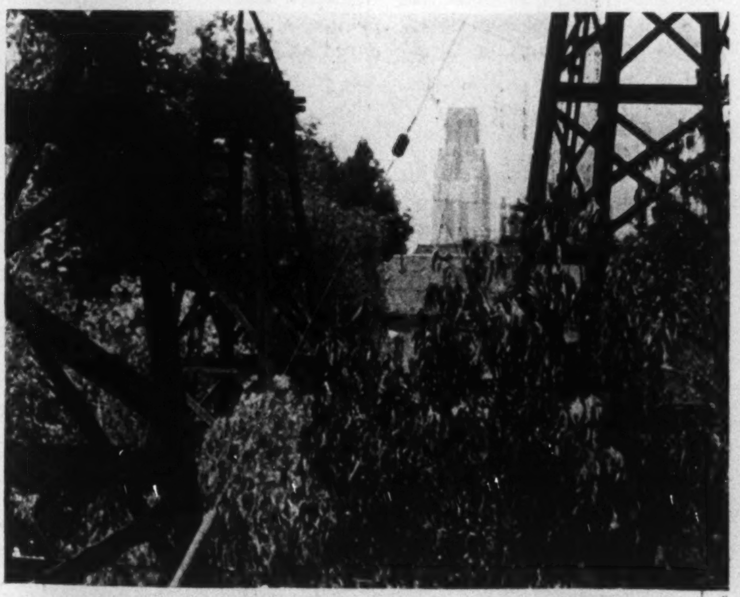
Sir Henri Deterding Has Contributed to Changes Cited in Defence of the Socony-Vacuum Merger

UNDER Special Master F. L. Williams, former justice of the Missouri Supreme Court, the government suit against the proposed merger of Standard Oil Co. of New York and Vacuum Oil Co.—both former units of the Standard group dissolved by court decree in 1911—opened in New York this week.

The government maintains that any combination of former Standard units will be a violation of the 1911 decree. At least, it intends to make the oil companies prove that conditions justify a change in the status quo. The companies contend that the oil situation has changed and that former Standard units have the same right to form combinations not in restraint of trade as have any other concerns; that there are so many distributors in the field that their merger would not affect the competitive set-up. Furthermore, the companies point out that they are not now in substantial competition. Standard Oil of New York operates a general petroleum business with most of its activities confined to New York and New England, to the Southwestern and Western states, and to export business in the Far East and the Levant. Vacuum specializes in lubricating oils with a large portion of its business carried on abroad.

By the proposed merger a new company, General Petroleum Corp., with operating subsidiaries of the same names as the merged concerns will attempt to gain nation-wide distribution for its products. The companies point out that, with the exception of the Texas Corp., only one other organization, the Royal Dutch Shell group, owned by foreign capital, has achieved distribution in every state in the union. In the present highly competitive conditions of the industry, the companies maintain that only through the proposed merger can this expansion of distribution facilities be accomplished.

Through subsidiaries, both Standard of New York and Vacuum control large producing areas in the United States and, thus far, neither has made use of foreign crudes in their domestic markets.



OIL WELLS IN THE BACK YARD

As Los Angeles grows, old oil wells—among the first drilled in California—are surrounded by homes and shops. The tower of Bullock's department store is seen through abandoned derricks

In the foreign markets also Royal Dutch Shell is the chief competitor of both Standard of New York and Vacuum and their proposed combination is expected to help the American-owned companies to gain a larger share of the foreign markets.

The suit has the full attention of most oil authorities. Not only will its final outcome have far-reaching effects upon the two large companies immediately concerned but it will determine whether or not any other of the Standard units can combine or make trade agreements to meet the increasingly severe competition of Sir Henri Deterding's world-wide Royal Dutch Shell.

New Trucking Group Allied With Van Sweringen Roads

To the two big aggregates of freight forwarding, warehouse handling, motor trucking, and lakes or ocean shipping companies on cordial terms with the New York Central and the Pennsylvania, respectively, is now apparently being added a third, this one a Van Sweringen grouping. Trucking, Inc., has been organized in Ohio to acquire motor truck companies in various parts of the United States.

William G. Bernet, eldest son of the president of the Chesapeake & Ohio railroad, is president of Trucking, Inc., and vice-president of the new Standard Carloading Co., which has been using Erie, Nickel Plate, and C. & O. terminals in New York, Chicago, and other places. In New York some of the business goes to the United States Trucking Co., Alfred E. Smith's old concern, now a subsidiary of the Pittston Co., in turn subsidiary of the Alleghany Corp. In Cleveland some of the business is handled by Motor Express, Inc., an alliance of long-distance motor freight lines.

The relationship with Van Sweringen railroads is apparently no more definite than that between the United States Freight and the New York Central, perhaps less definite than that between the National Freight Forwarding Co. and the Pennroad Corp. U. S. Freight was a consolidation of many things, the largest operating unit being the Universal Carloading & Distributing Co. This company employed the containers invented by Alfred H. Smith, late president of the New York Central, the rights to which were the property of his estate. The chairman of the board of U. S. Freight was formerly assistant traffic manager of New York Central.

Pennroad, the financial company of

the Pennsylvania railroad interests, purchased National Freight Forwarding, Judson, and one or two other companies in the freight-dispatching business. National Freight also controls patents of the Keystone container, which uses five units to a car, to the six that the L. C. L. containers use. The new Cleveland grouping of freight-handling companies also has a container subsidiary.

Chicago Votes Traction Merger Tuesday; Starts Job Wednesday

By a 5 to 1 majority, Chicago voters approved Tuesday the ordinance providing for unified operation of local traction facilities. Within the next 10 years, at least $200 millions are to be spent on extensions and improvements, including a subway. Property developments, stimulated by traction extensions, will require vastly greater expenditures.

Work started Wednesday morning under the personal leadership of Samuel Insull who, though 71 years old next Armistice Day, is still willing to take a chance on going ahead with constructive building and iron out financial and other details later. He is doing this now. For 2 months, engineers and draftsmen have been busy preparing working plans for actual construction. Now that the work has started, it is going through without delay. "Employment for Chicago people is a pressing need," said Mr. Insull Wednesday.

Elevated lines have filed condemnation suits preparatory to making important extensions which have been held up for months and years. Steps are being taken to coordinate surface and elevated lines as soon as possible. Transfers are to be issued from one to the other.

The consolidation managers are to arrange for financing a concrete plan. As Mr. Insull suggests, "This job will require time and patience." Surface lines alone have 27 different groups of securities, held by 50,000 individuals.

Sears, Roebuck Signs Up Independent Stores

Effective June 30, the two L. Feibleman & Son department stores in New Orleans and Shreveport were affiliated with Sears, Roebuck & Co. in a merchandise buying arrangement designed to give them the advantage of Sears' larger buying power. While the two Feiblemans are retiring, David L. Cohn, vice-president and general manager, continues in charge, becoming president.

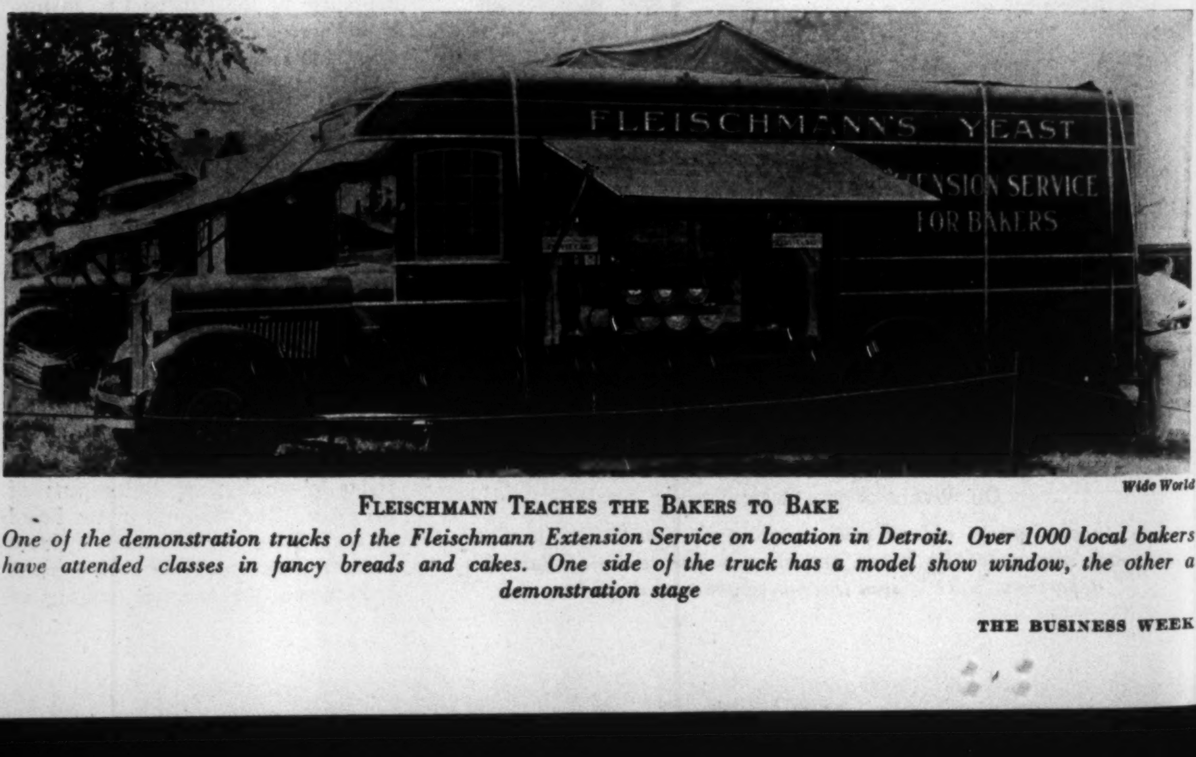
As this is the first time Sears, Roebuck has brought into its retail chain, now 320 stores, a large established independent, considerable comment has been aroused in department store circles. The deal is not a purchase, Sears' officials state, though reports that the affiliation is closer than a mere buying alliance are current in the trade. "We had a poorly located B store in New Orleans," a Sears' official comments. "The chance to make this deal with Feibleman came along. We took it. It does not indicate any changes in our policy of retail expansion."

The two Feibleman stores do over $5 millions a year business, mainly dry-goods, a little more than 1% of Sears' 1929 volume. Hardware, automobile tires, household equipment, and other "hard lines" regularly carried in Sears' stores are now to be added.

Alsop & Oppenheimer, leading department store of Oskaloosa, Iowa, was similarly affiliated with Sears early this year. The B & O Store, with an unusually well-developed farm trade in the little town of Temple, Okla., was linked up late in 1929. Sears, Roebuck has opened very few new stores this year. Its volume is somewhat under that of last year.

Capper-Kelly Bill Has Just a Slim Chance

It now looks as if the Capper-Kelly bill will be buried with this year's unfinished legislation. There is just a chance that it can be brought up in the few days remaining before adjournment. Washington believes that if it gets that chance, it will be passed, mainly because it is being pressed as an anti-chain measure and Congressional politicians are not anxious to go on record against anti-chain sentiment.



Wide World

Fleischmann Teaches the Bakers to Bake

One of the demonstration trucks of the Fleischmann Extension Service on location in Detroit. Over 1000 local bakers have attended classes in fancy breads and cakes. One side of the truck has a model show window, the other a demonstration stage

Pacific & Atlantic

RAILROAD PRESIDENTS LUNCH IN A TERMINAL

John J. Bernet (left) president of the Chesapeake & Ohio, and Daniel Willard, president of the Baltimore & Ohio, attend the dedication of Cleveland's new terminal. Another project of the Van Sweringens, it includes facilities for interurban, rapid transit, and motor bus as well as railroad service. Lunch was served at the train gates

Congress Begins to Find Out Who Owns the Railroads

DESPITE powerful forces back of the Couzens resolution to hold up railroad consolidation, passed by the Senate and now pending in the House, passage at this session of Congress seems doubtful. Principal support comes from labor and the Northwest—from the latter because the resolution would block merger of the Great Northern and Northern Pacific, at least until March 4, 1931. The House Committee on Interstate and Foreign Commerce has so abbreviated the Senate measure that, except for specifically directing the Interstate Commerce Commission to suspend action on the Northern's merger, it merely declares all future consolidations by the media of holding companies unlawful unless approved by the committee. It is stated in railroad circles, however, that the holding companies already have contrived to consummate nearly all the mergers they want.

Meanwhile, plans for carrying on what is expected to be the most comprehensive study of railroads ever undertaken by Congress (the holding company investigation) are being made by the House Interstate Commerce Committee. Questionnaires sent out by the committee have been answered by every Class A railroad, a majority of the holding companies and the investment trusts. Work will begin next week on collating the information contained in the questionnaires to determine the exact ownership and dominating influences of each road. Investigators have spent 2 months in Cleveland examining the operations of the Alleghany Corporation, Van Sweringen holding company, and 6 weeks on Pennroad, Pennsylvania Railroad affiliate (*The Business Week,* Feb. 5, 1930).

Says Chairman James E. Parker of the House Interstate Commerce Committee: "Our aim is to find out who owns and controls the railroads of the United States—how much they are controlled by interlocking directorates and how much by holding companies. We are going ahead with the statistical work during the summer and we have appointed a subcommittee consisting of myself, Representative Carl E. Mapes (Mich.) and Representative Sam Rayburn (Texas) to be available for immediate service."

The deposit committee of the Great Northern and Northern Pacific (George F. Baker, chairman, Arthur Curtiss James, J. P. Morgan, Louis W. Hill, Stephen Birch, and Francis T. Ward), watching closely the fight for and against the Couzens resolution, have decided to withhold action until the fate of the measure is settled. If Congress takes definite measures to prevent merger of the two roads, a merger already tentatively approved by the I.C.C., the committee may relinquish the attempted unification and return to the present owners the stock held in deposit. On the other hand, the defeat of the Couzens resolution and similar restrictive legislation would pave the way for final union of the two lines under the conditions laid down by the I.C.C., chief of which is the requirement that the Northern roads divest themselves of Burlington holdings (*The Business Week,* April 9, 1930).

Thumbs Up for Motorists; Thumbs Down for Trolleys

TRACTION companies have long bewailed that generosity on the part of motorists which encourages the practice of "thumbing" rides, but few have attempted to back their objections with concrete figures. Now the Eastern Massachusetts Railway says it costs this Boston district electric line 1,500 passengers a day, more than $50,000 revenue in 1929. The company has sought official aid and the police chief of Chelsea has ordered policemen to issue summonses to persons caught with their thumbs out in solicitation of lifts.

Besides traction companies, automobile liability insurance companies have been active against the practice of "thumbing" rides; anti-hitch hiking laws have been passed in a number of states, other states are seriously considering such laws.

Furniture Retailers Survey Instalment Sales

PAYMENT terms on instalment sales have been shortened since the break last fall by 33% of the furniture retailers covered in a survey of instalment selling just completed by the National Retail Furniture Association. Another 8% are granting longer terms than they did last fall. No change has been made by 59%. Down-payments have been lowered by 11%; raised by 5%; left unchanged by 84%.

Trade Associations See Warning In Wool Institute Decree

Leaders Study Price-Fixing Charges for Guide To Future Policy of Department of Justice

MERICAN RADIATOR COMP
EMPLOYMENT DEPARTMENT

Wide World

Ready for Work

Allan Hoover, 23-year-old son of the President, goes to work for the American Radiator Company in its factory at Bayonne, N. J.

TRADE associations this week are studying details of the decree obtained by the government prohibiting certain practices of The Wool Institute, Inc., alleged to have been in violation of the Sherman anti-trust law.

The decree, filed by James L. Fly and John Lord O'Brian, special assistants to Attorney-General William D. Mitchell, in the New York Federal Court with the consent of attorneys for the institute, will, it is expected, be considered by other trade associations in the future for determining the scope of their activities.

Advertisement Under Fire

It charges that certain cooperative efforts of members of the institute have tended to fix and enhance prices, specifically by a resolution passed by a large group of member companies on December 11, 1929, whereby the men's wear mills agreed definitely to maintain their established spring prices throughout the 1930 season. This arrangement was advertised in several newspapers.

In a statement issued by the Department of Justice the decree was declared to "enjoin the institute (*a*) from carrying out the purposes of the combination; (*b*) from agreeing upon, either expressly or impliedly, or concertedly fixing, establishing or maintaining any price, price range, price enhancement or other part of the ultimate price of woolen products; (*c*) from exchanging future price information; (*d*) from entering into any agreement for the maintenance of any price or schedule of prices on woolen products over any period of time; and (*e*) from entering into any agreement fixing the opening date for the sale or offering for sale of woolen products or in any way restricting the freedom of any company to choose the dates on which, or the prices at which, its products will be sold."

A. D. Whiteside, president of The Wool Institute, in explaining the acts which the government cites as being in violation of the Sherman law, declared that they were part of an effort to stabilize the industry after the stock market crash and to aid President Hoover in his attempt to prevent a business collapse. The institute advertised in the newspapers that its members who signed the original agreement would maintain prices to protect customers. This, he declared, was what was interpreted by the Department of Justice as a violation of the Sherman law. At that time, he said, the price range of wool products was from 60 cents to $15 a yard depending on the quality of the wool, while now, since the price of raw material has come down, yarn is a little cheaper on the whole but the range of prices remains about the same.

What will be the future scope of the institute's activities it is difficult to determine. At a recent meeting of the institute, Mr. Whiteside announced his retirement as president at the end of this year and recommended a plan for the organization which would confine its activities almost entirely to fact-finding with less stress upon policy.

Pacific & Atlantic

Pro—

One side of the great Youngstown quarrel. Eugene R. Grace (left) president of Bethlehem Steel, and Newton D. Baker, former Secretary of War, his chief counsel. They want to merge Youngstown Sheet & Tube with Bethlehem Steel

Latest Trade Codes Called Too Abstruse

THE industries operating under trade practice codes have requested the Federal Trade Commission to postpone until fall such revision of the rules as the commission believes necessary under its new and stricter interpretation of the anti-trust laws.

In the meantime, all the industries that have codes are planning to thresh out the question the last week in September at Niagara Falls, Ont.

Codes recently approved by the commission, while no doubt understandable to lawyers, are so abstract as to be worthless to any industry which is seeking to eliminate unfair and wasteful practices.

After the Niagara Falls meeting, the conference industries will be prepared for the forthcoming revision. At least they will be ready to demonstrate to the commission that to be of any use, rules must be based upon actual trade practices.

War Between Unions May Bring Peace to Bituminous Industry

Insurgent Group Says Its Success Will Make Industrial Prosperity First Consideration

OFFICIALS of the United Mine Workers of the World meet with anthracite operators this week in New York to negotiate a new wage agreement to replace the one which expires August 31. With the devastating effects of the strike in 1925 and 1926 still fresh in their minds, both sides have adopted conciliatory attitudes and hope to come to a satisfactory agreement. The miners are pledged to obtain the best possible agreement on the basis of no reduction in wages, abolition of individual contractors, equalization of working time, a system of seniority rights, a "check off" system.

The anthracite industry is in much more orderly condition than the bituminous. Here rages a conflict which, having seriously impaired the influence of organized labor, threatens to leave the industry wide open to the guerilla warfare that already plagues a large part of it. But this conflict may eventually result in the industry's salvation so far as labor troubles are concerned.

Pacific & Atlantic

—AND CON

The other side of the question. Cyrus S. Eaton (left) Mid-West steel, rubber, utilities figure, and his attorney, Luther Day. They don't want to merge. This picture and the one opposite were snapped in court as opening guns were fired in what may be a legal "battle of the century"

The long smouldering revolt against the alleged tyrannical attitude of John L. Lewis, president of the United Mine Workers, and against his insistence upon wage scales "so high as to prevent mine operation," flared up last fall. Alleged insubordination by District No. 12 of Illinois led Lewis to declare its charter revoked. Through Harry Fishwick, president of the district, Lewis was prevented from interference by a series of injunctions which are still being reviewed in the courts. Last March a rump convention was held almost simultaneously with the regular convention of the union, and a new international organization was instituted. Under the leadership of Alexander Howatt as temporary president and with the active help of John Brophy and Powers Hapgood of Pennsylvania and J. H. Walker of Illinois, the new organization asserted itself to be, in fact as well as in name, the one and only official United Mine Workers of the World. At the regular convention, the Lewis group denounced the insurgents, revoked their charters, expelled them from the union and otherwise fought them with all their forces.

Active Campaign On

Both factions are now actively campaigning for members and for recognition by coal mine operators. The insurgents claim 52,000 dues-paying members—42,000 in Illinois and 10,000 scattered among other bituminous producing states. They have not yet tried to organize the anthracite industry but say that a majority of the union bituminous workers are with them.

While the Lewis group seeks support because of its alleged constitutional authority and its recognition by the American Federation of Labor, the Howatt-Fishwick group bases its claims upon proposals rather new to the coal industry. Lewis has been charged with insisting upon wages and working conditions which make profitable operation of union mines impossible. The insurgents profess to be seeking agreements with operators in which the good of the industry rather than a single party will be given first consideration.

To aid them in developing this policy they are obtaining the advice and counsel of Sidney Hillman, president of the Amalgamated Clothing Workers of America, who has been extraordinarily successful in obtaining mutually beneficial cooperative action between labor and management in the men's clothing industry.

Instead of organizing the workers of

a mine and then forcing union recognition through a strike, the insurgents hope to negotiate with the operators first; and then to organize with the operator's permission because of the benefits which they can demonstrate to him are possible through truly cooperative action.

The expressed philosophy of the insurgent group is that, before either workers or management can prosper, the coal industry must be prosperous. It is basing its campaign for membership and recognition on that idea. Some operators have been doubtful as to whether such a program can be translated into practical action, as to whether the insurgents can actually gain control of the international organization. But there are informed persons who believe the movement may yield results of vast importance to the coal industry.

Whatever the outcome, the active campaigns for memberships being waged by the two opposing branches of the U.M.W.W. as well as by the National Miners Union—of supposedly Communistic tendencies; the injunction suits, demonstrations, and counter-demonstrations going on throughout the field are arousing miners' interest in union activities as they have not been stirred up for many years. Such a bubbling stirs the troubled waters of coal mining that something seems sure to happen; organized labor will regain much of the power lost since the famous Jacksonville agreement was forced upon the operators or it will take a further nose dive into oblivion. No middle course seems likely now.

Shoe Workers Take Cut To Push Cheaper Grades

UNION labor leaders of Lynn, Mass., have agreed to a 12½% wage reduction for certain firms which are to make exclusively a new $4 grade of shoe. Similar requests for reductions have been refused to other concerns which wished to make cheap shoes in addition to regular grades selling at $5 or more. Labor leaders based their refusal in the latter cases on the fear that high-priced shoes would be put through on low-priced wage tickets. Expectation that chain stores and other retail outlets will sell large numbers of $4 shoes in the future, thus building up a considerable industry in this grade, was behind the acceptance of a wage cut. This wage cut, together with the aid of the Smoot-Hawley tariff, has greatly encouraged the Lynn shoe industry.

Travel Gets Fewer Dollars But About as Many People

Transatlantic Liners See a "Class Revolution" In Bookings; Railroads Are Doing Fairly Well

SAILING of the *Leviathan* this week on what is usually the heaviest trip of the year with only 425 of its 650 first class accommodations booked is viewed in shipping circles as the most recent indication of a "class revolution" in transatlantic travel, with some of the first-class business moving in the cheaper cabin class and potential cabin-class passengers dropping to tourist third.

Older first-class vessels, even in the peak of the season, are going out with empty cabins, while some cabin-class ships had space available only a few weeks before sailing-dates for the late June and early July departures.

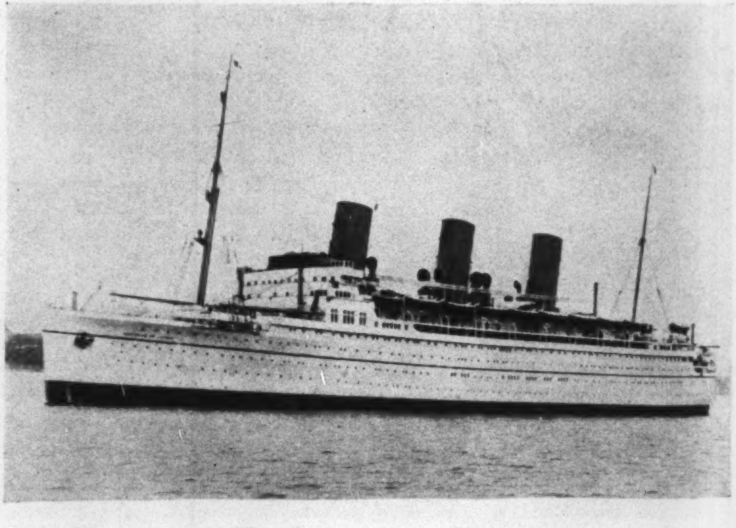
Although first class on some ships is running 25% below last year, it is probable that total transatlantic travel will show only a slight reduction under the last two or three years. The newer ships, *Bremen* and *Europa* of the North German Lloyd Line, the *Ile de France* of the French Line, the *Conte Grande* of the Lloyd Sabaudo, show well-filled lists. The *Majestic,* of the White Star Line, also carried out almost a capacity list this week. This, and three other ships of the International Mercantile Marine Company, took out 5,000 passengers in two days.

Cabin-class, however, is running almost 100% filled on most lines, with tourist third doing well also. The *Leviathan,* on which the entire second class was converted to tourist third, shows substantial bookings in this class, and most lines believe that cabin and tourist classes will do as well as last year.

Russian Cruise Popular

Conversely, the Hamburg-American Line reports its faster fleet of four first-class ships is attracting substantial sailing-lists, while its steamship *Reliance* left New York recently on a cruise to the fjords of Norway, and Russia, with a capacity list.

The transcontinental lines, as a whole, find business about as usual. From New York and Boston, journeys to the Pacific Coast are running as heavy as last year. The Northern Pacific reports particularly heavy bookings for its new North Coast Limited. Santa Fe is running even with, or slightly ahead, of last year; Canadian Pacific business is below last year.



A NEW QUEEN FOR THE PACIFIC

The Empress of Japan, Canadian Pacific's new 26,000-tonner, as she arrived in Quebec for inspection. Finest and fastest of the Empress ships, she leaves for the Orient to enter the Yokohama-Vancouver run where she is expected to capture the Pacific speed record

International

AMERICANS ARGUE TALKIE RIGHTS IN PARIS

Will Hays (center) czar of the American motion picture industry, is made chairman of the International Film Conference in Paris, where American and German talkie interests are trying to settle patent rights involving more than $200 millions

State Department Sits Tight On Foreign Loan Censorship

REPERCUSSIONS from the reparations bond sale continue to agitate Washington, and have involved the whole question of foreign loans in this country. Two definite developments resulting are (1) the Department of State stands solidly upon its policy of "considering" proposed foreign loans to be floated here, and (2) the "war" against Germany by Lewis T. McFadden, chairman of the House Banking and Currency Committee, and others has been further discredited.

Started in Wartime

The State Department's interest in foreign loans was crystallized during the war, though even before then some consultations had been held. In 1921 President Harding and Secretary Hughes called bankers to Washington to tell them that, "in view of the increasing importance of foreign bond issues on the American market and possible international complications, the State Department would like to be consulted on foreign loans. The Department will not pass upon the merits of a loan as a business proposition or assume responsibility." The bankers agreed to take counsel.

Establishment of this precedent put a powerful club in the hands of the government. Behind the scenes the Department of Commerce, "manager" of our foreign trade, was consulted. A desire to speed up settlement of war debts, to exert some pressure, brought special surveillance of certain loans. Then other considerations have cropped up. The Department doesn't want loan proceeds used for military purposes. Foreign-controlled monopolies of raw materials mustn't be supported by funds obtained here. Defaulting on foreign obligations by any nation excites official ire. Borrowing foreign governments are expected to have balanced budgets.

Today, the flotation of an issue in this market in opposition to the State Department would be almost beyond the daring of the most courageous. But the interests involved in the case of any foreign issue are numerous. Perhaps in agreement, perhaps conflicting, may be the purely diplomatic interests of the State Department, the business interests of the Department of Commerce, the financial interests of the Treasury, and the government's agricultural interests, to say nothing of the interests of large corporations and financial institutions. And the State Department establishes itself as the supervisor. Ninety-two loans totaling $1,000 million to 23 countries have been considered since 1928.

In answer to the Senate's demand for information as to the legal justification for this supervision, the State Department cites Article 2 of the Constitution investing executive power in the President, states that it exercises power delegated to it by him without need of recourse to other law.

McFadden Rebuffed

Representative McFadden met rebuffs from both Secretary Mellon and Under-Secretary of State Cotton as he continued agitation against the reparations issue. Mr. Cotton told him the department has neither time nor desire to pass on the legality of foreign issues.

On the McFadden resolution to prohibit banks from purchasing reparation bonds, Mr. Mellon noted that the Federal Reserve Banks cannot purchase reparations bonds anyway, and that state banks are ruled by state laws. Entrance of the government into bank management, as implied by the resolution, was called "unsound and unnecessary." "It is not apparent to me that any good purpose would be served by the adoption of this resolution. In fact, I see no justification for it whatsoever," said Mr. Mellon.

Grocers Lose First Battle Over Packers' Decree

THE American Wholesale Grocers Association has lost its first battle to prevent modification of the consent decree, which prohibits packers handling other than packer products or entering the retail field. Its petition to the Supreme Court of the District of Columbia to dismiss the Swift and Armour petition for modification because of lack of jurisdiction was itself dismissed. No appeal may be taken from such a ruling by the court.

The grocers' brief held that the court was without jurisdiction since the decree was rendered by consent, was consented to 9 years ago and was held valid by the Supreme Court of the United States as well as by that of the District. The Department of Justice did not join the grocers in questioning the jurisdiction of the court.

The next step will be the trial on allegations of fact made in the packers' petition. No date has been set for a hearing.

The Shift from City to Suburbs Shows Up in the Census Figures

Urban Business, Watching the Early Returns, Sees New Problems in Adjusting Itself to the Change

Rapid transportation has substituted speed limits for city limits. Corporate boundaries of many cities are being obliterated by millions of city dwellers fast moving towards a new social and economic horizon. The 1930 population census will reveal that the 100,000 group of American cities has increased from 68 to 94, but you must read between the lines of figures to get the story of the great migration that has taken place in the last decade. It may, in many cases, have covered only 1, 2 or 3 miles, but the city proper has been left behind.

"Metropolitan Area" the Unit

This transplanted population beyond the city limits is now growing as large, in many instances, as the city's own, and frequently occupies a larger territory. It enjoys all the conveniences accorded to urban residents plus such advantages as parking space, geraniums, free air. A lesser number, more venturesome and by instinct more closely wedded to the soil, have become part-time farmers on acre plots 5, 10, 15 miles from factory and office. What were once summer colonies not far from the city are being transformed into permanent year-round residential communities.

The real story of the census is one not merely of the growth but of the decentralization of urban population. Statistical evidence so far available is fragmentary. Some cities show an actual decline in population but the number is relatively small. The best evidence of the exodus of population is the retardation in growth of a large number of cities.

Municipal Governments Suffer

Growth of population is the first pride of all American cities. Many of them still think in terms of their political boundaries. The utter disregard of such boundaries is causing some distress, and good municipal government has suffered because of the disfranchisement of an increasing number of citizens. Some cities have met this problem by annexation. Others, not so fortunately situated, have seen their population dispersing across state lines and other political or natural boundaries which prevent or impede this method of repatriation.

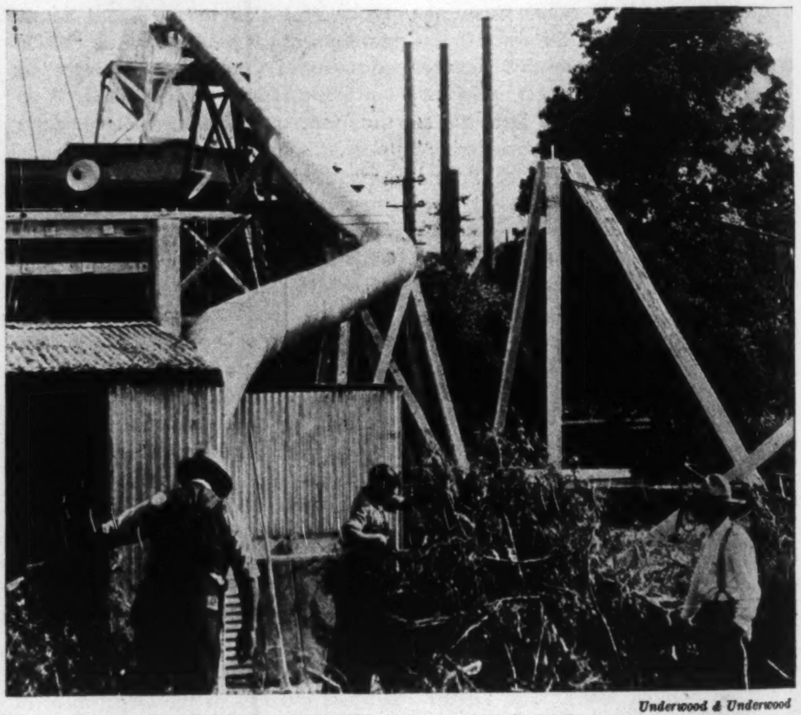
Urban merchants have become increasingly apprehensive regarding the effect on their business of this drift to the suburbs. Their question is whether the metropolitan area will become so large that the advancing citizenry will demand a new base of supply. The answer, in the opinion of several economists engaged in the census of population and the census of marketing, is that trading in such outlying territory will continue to be confined largely to staples, principally food and convenience merchandise.

The economists maintain that for clothing and home furnishings—all the important purchases of the household—the suburbanite will prefer the downtown stores. Having moved away from town, he does not want business to follow too closely on his heels. There is a tendency among the big department stores and specialty shops to establish branches in suburban communities, but it is regarded as certain that the bulk of their business will remain downtown. These stores require for their support a larger population than that resident in any particular section of the metropolitan area. The downtown shops still attract the out-of-town trade, for country customers do not stop at suburban stores but go on into the city to do their buying.

Congestion, of course, has an indeterminate effect upon the business in the downtown shopping district and economists in the government's employ emphatically state that this problem should receive studied consideration by downtown business men. Office and store buildings are still designed for the horse-and-buggy era, they say. It is inevitable that some provision must be made in new downtown buildings for automobile parking.

Country Villages Disappearing

While the rate of growth in the urban population has decreased because people have moved beyond the city proper, the country village has suffered an actual decrease in population. This has not been as great as expected, but not all of the census returns are in and reports from mechanized farming



Underwood & Underwood

A Mechanical Goat for the City Dump

Pasadena's city "goat" will eat anything. Refuse is fed to underground revolving jaws which grind it to pulp. This is blown by fans up the long pipe to the disposal plant

The First Problem of Sound Investing

It is not "how *shall* I invest my surplus funds?" but "how *should* I?". Every investor must answer this primary question for himself. He alone has the knowledge which enables him to correctly appraise his personal financial situation and outlook. If he decides that investment securities provide the best answer to his problem, his next step is to call on an investment organization qualified to supply his particular needs.

The National City Company, with important investment contacts in all of the world markets, has the broadest possible opportunity for investigation, analysis and selection of securities. The distributing organization of the Company thus is able to submit to investors a wide range of securities singled out from the world's choicest offerings.

* * *

If you have surplus funds awaiting investment or wish to have your present holdings reviewed, you will find helpful assistance at any of our offices.

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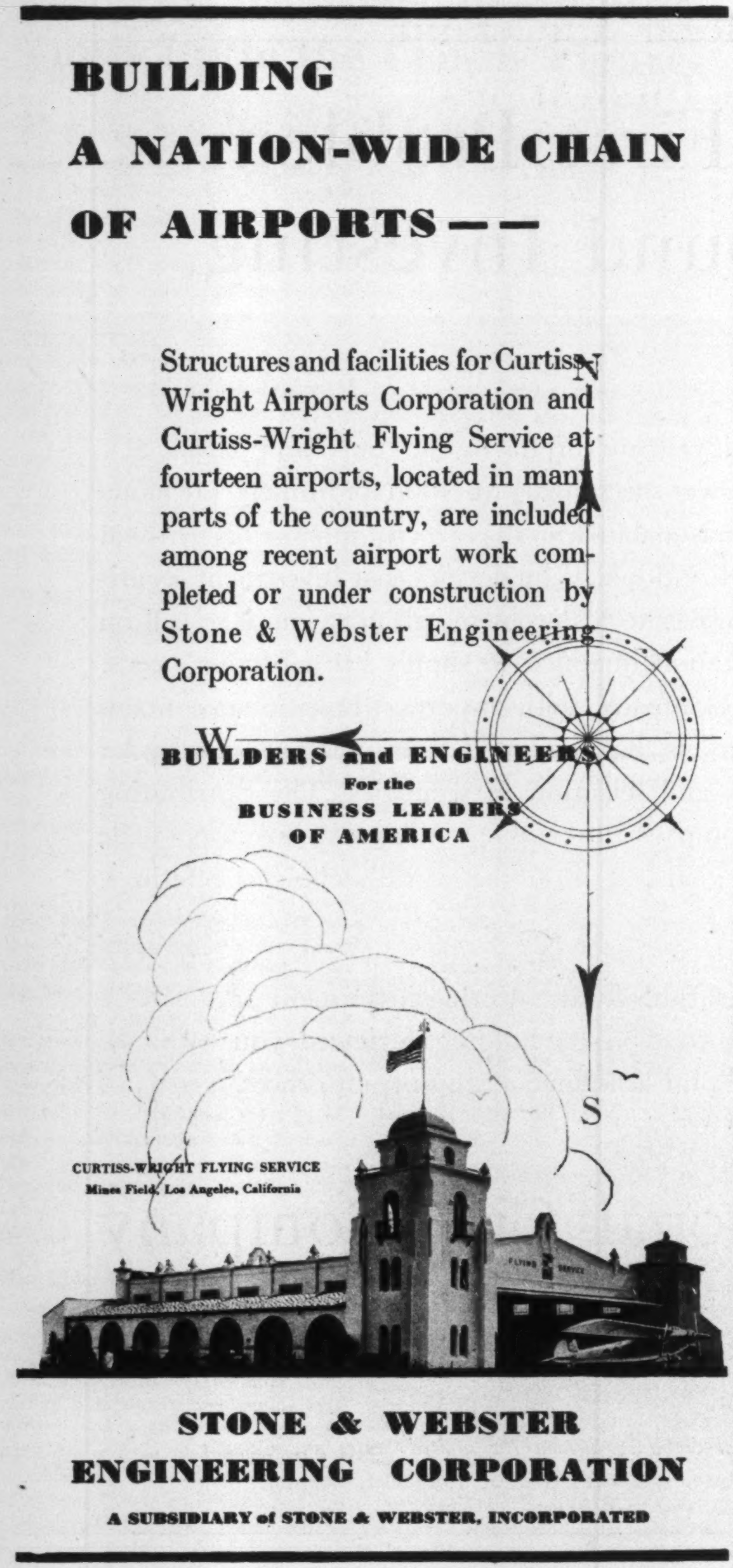

BUILDING
A NATION-WIDE CHAIN
OF AIRPORTS——

Structures and facilities for Curtiss-Wright Airports Corporation and Curtiss-Wright Flying Service at fourteen airports, located in many parts of the country, are included among recent airport work completed or under construction by Stone & Webster Engineering Corporation.

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regions are expected to bring down the totals considerably. While the villages are losing population to the cities, census statisticians are not certain whether the drift is as large now as it was a decade ago. They are inclined to believe that modern conveniences are tending to hold farmers on the farm and are likewise attracting city folk to the charms of country life. Few tears are shed for the country village. Distribution through such outlets is becoming economically wasteful. Industry is building brand-new towns, but agriculture is finding it more economical to eliminate them.

South and West Forge Ahead

Looking at the map of the United States as a whole, the census is a witness to the remarkable progress in the industrialization of the South. Population increases in Southern cities are greater and more numerous than in either the North or West, with the possible exception of the Pacific Coast. Greensboro reports an increase of 169%; Durham, 139%; Houston, 110%; Chattanooga, 106%; Oklahoma City, 100%; Tampa, 95%; Tulsa, 95%; Shreveport, 73%; Charlotte, 78%; Dallas, 63%; San Antonio, 57%; Memphis, 55%; Charleston, W. Va., 52%; Fort Worth, 51%; Huntington, W. Va., 51%; Austin, 47%; Birmingham, 44%; Beaumont, 42%; Jacksonville, 41%; Waco, 39%; Roanoke, 35%; Atlanta, 32%. Miami recalls better days but reports an increase of 272% in its population since 1920.

On the Pacific slope Glendale reports an increase of 362%; Long Beach, 154%; San Diego, 98%; Pasadena, 67%; Berkeley, 45%; San Jose, 45%; Sacramento, 42%; and San Francisco, 22%.

Some Declines in the East

The population of six cities in Massachusetts has declined by 4% to 11%. Lowell, Lawrence, New Bedford, Holyoke, Fall River, and Brockton all have suffered. Manchester, N. H., reports a loss of 2% in its population.

Many cities on the eastern seaboard acquired during the war a large floating population that has scattered since then. This probably explains a decrease of 17% in Hoboken, 3% in Union City; 1% in Passaic, N. J.; 4% in Wilmington, Del.; and 8% in Charleston, S. C. The small rate of increase in the population of other cities on the Atlantic seaboard indicates that they were similarly affected.

"Town for the Motor Age" Finds Public Ready for Innovations

Radburn Development Arouses Wide Interest; Includes Plan to Convert Renters Into Owners

As a means for arousing active interest in home ownership the plan being used by City Housing Corp. in its development of Radburn, N. J., offers some valuable suggestions. Business depression has had practically no effect upon sales in Radburn; in fact, they increased during October and November; continued at high levels throughout the winter and spring and only now are undergoing the usual seasonal decline.

Safety Streets

Radburn, "The Town for the Motor Age," is laid out on a super-block plan with a safety street system and interior parkways where youngsters and grown-ups can walk and play in safety. Revolutionary as the town plan was, experience has indicated no necessary changes; developments under way at present follow the same general plan as those used for the original developments 18 months ago. City Housing Corp. reports that the public appears to be even more ready to accept innovations in street arrangement offered than it had anticipated.

While no changes are being made in the general scheme of town layout, continual changes are being made in detailed house designs to bring the dwellings into closer conformity with what the public looks upon as desirable. At present an attempt is being made to develop a house with a more or less standardized interior arrangement, particularly in regard to kitchens and bathrooms, which will lend itself to diversification of exterior treatment.

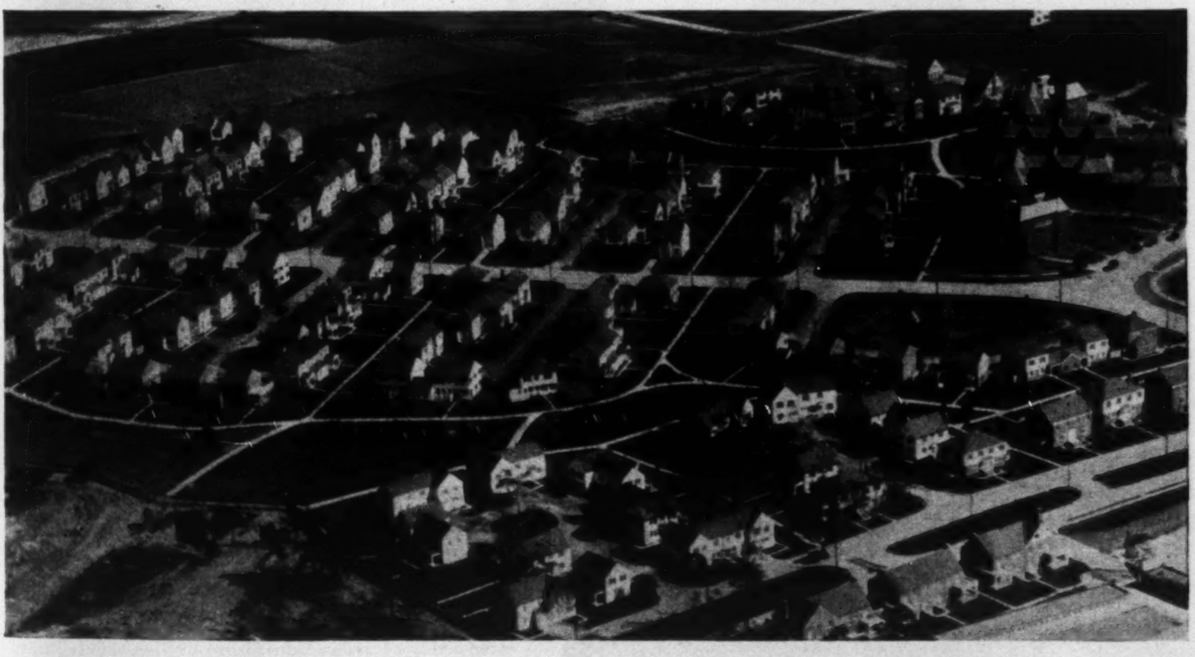
This year also, City Housing Corp. is attempting to provide a cheap house-type which will adequately provide for the normal family of moderate means. Two types have been developed and are being built in groups of four. Each provides six rooms and bath, garage, complete public improvements such as concrete paved streets and walks, sewer systems, municipal water supply, and similar conveniences. These houses will be built on the super-block plan with safety streets, are expected to sell for not more than $7,500, possibly less.

In addition, a community swimming pool—opened this year; tennis courts; children's playground with an instructor in charge; privately operated riding academy and a school under construction have all helped Radburn sales.

An interesting development of Radburn has been the use of its two apartment houses as incubators in which desire for ownership of a house could be nurtured. Many families have been a bit awed by the new ideas in town planning which Radburn represents and have hesitated to invest in a home there without knowing more about it. Many of these families have leased apartments in the development where they have enjoyed all the advantages of the town plan and have eventually been graduated to home ownership.

Easy Financing

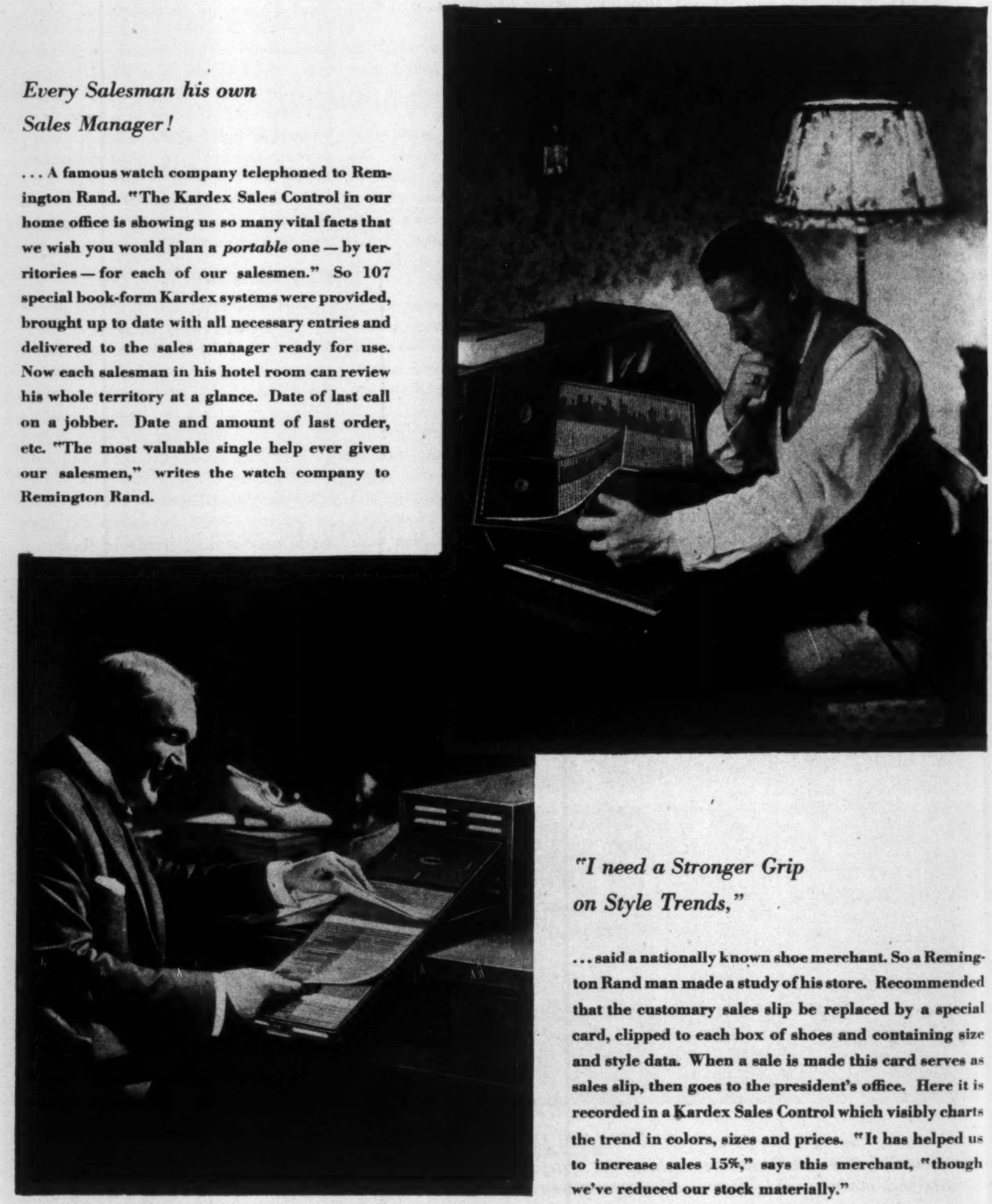
This movement has been facilitated by the moderate cost of home owning. While apartment rents are not large, compared with other desirable locations, the rental of a 4- or 5-room apartment will nearly balance the monthly charges on a 5- or 6-room house. With only a 10% down payment required, and with City Housing Corp. granting both first and second mortgages for the remainder of the cost, home ownership has been made easy and desirable in Radburn.



Built for the Automobile Age

An air view of Radburn, New Jersey, shows the system of short, dead-end streets with separate footpaths which characterizes this modern subdivision development. Houses face the footpaths, which are carried under the highways

Three BUSINESS LEADERS



Every Salesman his own Sales Manager!

. . . A famous watch company telephoned to Remington Rand. "The Kardex Sales Control in our home office is showing us so many vital facts that we wish you would plan a *portable* one — by territories — for each of our salesmen." So 107 special book-form Kardex systems were provided, brought up to date with all necessary entries and delivered to the sales manager ready for use. Now each salesman in his hotel room can review his whole territory at a glance. Date of last call on a jobber. Date and amount of last order, etc. "The most valuable single help ever given our salesmen," writes the watch company to Remington Rand.

"I need a Stronger Grip on Style Trends,"

. . . said a nationally known shoe merchant. So a Remington Rand man made a study of his store. Recommended that the customary sales slip be replaced by a special card, clipped to each box of shoes and containing size and style data. When a sale is made this card serves as sales slip, then goes to the president's office. Here it is recorded in a Kardex Sales Control which visibly charts the trend in colors, sizes and prices. "It has helped us to increase sales 15%," says this merchant, "though we've reduced our stock materially."

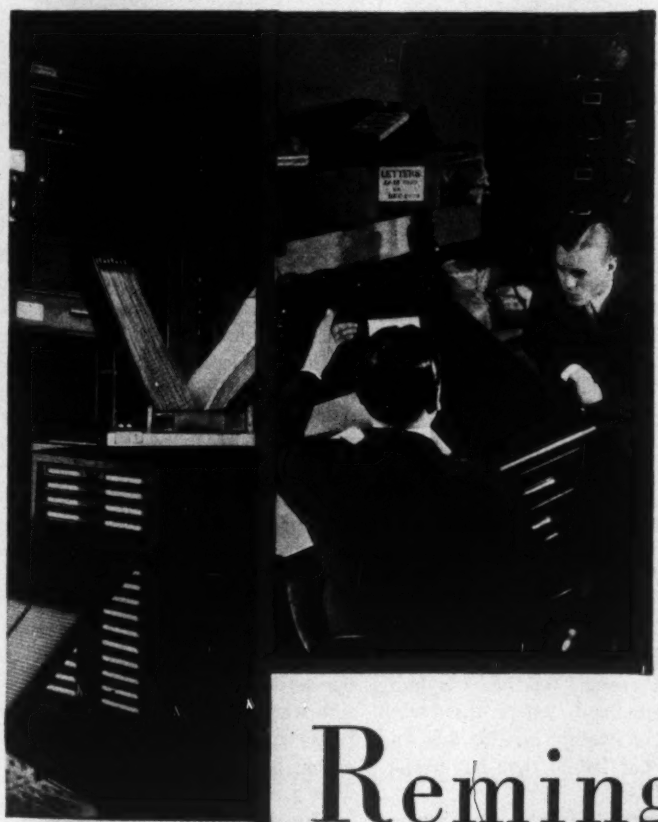
discover a SALES TONIC *in "Made-to-Measure" Record Systems*

Results follow fast when business systems are custom-fitted to their jobs.

For the specialized problems of today cannot be solved by "canned" systems, purchased here and there. A controlling mind must develop an individual system for each business need.

The examples in this advertisement illustrate clearly the advantage of calling in a Remington Rand man . . . stating the problem . . . and leaving it to him and his staff of analysts to plan the right system . . . and put it to work.

Remington Rand can "tailor-make" your business records . . . it has 1,200 items of system equipment to choose from. Ask about the new Remington Rand Budget Buying Plan. Remington Rand Business Service, Inc. Executive offices, Buffalo, N. Y. Sales offices in all leading cities.



A few of Remington Rand's 1,200 items of System equipment . . . Safe Cabinet . . . Baker-Vawter loose-leaf ledger and rack . . . . Kardex Visible Records.

Merging Five Companies' Sales Records . . . and bringing all the facts to light!

. . . A leading maker of automobile accessories "S. O. S.'d" to Remington Rand: "We've bought out four competitors . . . their sales records are dumped in our offices . . . can you help us unscramble them?" So a Remington Rand analyst planned a uniform Kardex Sales Control. Remington Rand indexers co-ordinated and transcribed all the sales facts. And the system was delivered complete and in working order. "I couldn't believe my eyes," said the sales manager. "Not only did this visible record give us the facts on the *new* companies, but it revealed opportunities for sales *in our own business* that we never knew existed."

Remington Rand

SYSTEMS DIVISION

RAND AND KARDEX *Visible Records* . . . LIBRARY BUREAU *Filing Systems and Indexing Service* . . . KALAMAZOO AND BAKER-VAWTER *Loose-Leaf Equipment* . . . SAFE CABINET *Fire Protection Devices* (SAFE-CABINET, SAFE-FILE, SAFE-KARDEX, etc.) . . . INDEX VISIBLE

Paul Wadsworth Chapman, Collector of Leviathans

Owner of United States Lines Went from City Water To Salt Water, But Left His Heart in the Corn Belt

TIME was when an inland citizenry with its mind on crop reports blocked the nation's rediscovery of the sea. Now our chances in the furious race for fast Atlantic tonnage lie largely with a man of and from the corn belt. He is Paul Wadsworth Chapman, investment banker—original habitat, an Illinois farm.

As controlling owner of the United States Lines, Mr. Chapman operates the most distinguished fleet under the American flag. Its 6 passenger ships are headed by the lordly *Leviathan.* Also the Chapman interests own the American Merchant Lines with 5 freight-and-passenger ships that run to London. Total tonnage 188,000; total price paid the government for ships, $16,082,000.

$11-Million Ships on Ways

Recent mail subsidies are the government's method of equalizing the handicaps it has placed on the operation of American ships. As a result of mail contracts, the U. S. Lines are now building 700-footers to cost $11 millions each. The lucky bidder was the New York Shipbuilding Company, Camden, N. J. Work is under way. Ships are to be delivered in 1932. Two others, larger and faster, may be built.

Needing freighters to balance a fleet top-heavy with passenger carriers, Chapman offered the government over $25 a ton for eighteen ships of the American-France and American-Diamond lines. Though this was by far the highest original bid, over a year has passed and no action has been taken by the Shipping Board. There have been charges of favoritism in withholding the ships. Uglier words have also been used. Innumerable hearings have been held at which expensive lawyers inundated committees with high-falutin oratory and intricate argument.

After one of these outpourings Mr. Chapman was asked what he had to say for himself.

" I am the highest bidder," he said. And sat down.

His laconic decisions and letters are famous throughout his acquaintanceship. A passenger on one of the U. S. Lines ships wrote in telling all the things he considered wrong with the service. When one finished reading the letter it was evident that the traveler thought nothing was right. Officials puzzled over this tirade and finally passed it along for the boss to answer. Mr. Chapman's reply to the 5 pages of acid criticism was a single line.

"I am chagrined at what you tell me but thank you for troubling to write."

International News

PAUL W. CHAPMAN

Instructions to lieutenants are notes containing a few words written in his own hand. This brevity of speech applies only to Mr. Chapman's executive technique. He is deeply sentimental about his boyhood and all happenings of his past career. His office is hung with pictures and letters that recall high spots of his life. In his bill fold he carries old letters that he displays with delight.

Mr. Chapman's friends were amazed when he went into the shipping business. (It was his own money and not that of his firm which he spent.) True, he had been interested in water throughout his business life; his investment company had always specialized in water bonds among other forms of municipal issues. But there is a lot of difference between dealing in water for household use and water as a right-of-way for ships. Certainly there was nothing in the earnings or prospects of American shipping to appeal to one's acquisitiveness. Mr. Chapman admits that he knows little about ships and that he has small desire to travel. Then why did he become sufficiently interested in steamers to buy up our premier fleet?

"Well," he answers with a smile, "I didn't get interested in my wife until I met up with her."

Last summer he made his first visit to Europe. His cronies believe the trip was more to stop comment and question than for pleasure. People can't bore him now by telling him all the things he has missed by not seeing the elder world.

Likes Independent Telephones

In addition to ships and municipal securities, Mr. Chapman is one of the country's heaviest investors in independent telephone companies. He likes to surprise the uninitiated by informing them that a large part of the hello business still is carried on lines other than Bell, that independent phones are over 23% of the whole. Often he is commiserated for having to compete with the greatest business organization in the world. Few executives would relish such a rival.

"You're all wrong," he retorts, "The A. T. & T. is the nicest competitor anybody ever had. They will tip you off to business opportunities; lend their time and knowledge to improve service on independent lines; treat you with tender solicitude on all matters of dispute. Since the Bell ideal is to furnish perfect service to every phone in the United States, it is to their interest to bring to their own standard independent lines with which they connect."

Formerly P. W. Chapman & Co's main office was in Chicago. It has since been transferred to New York, address 42 Cedar Street. Contrary to tradition, Mr. Chapman's office isn't on the outside corner. It is stuck away inside with no view, also with no vibrations from the street. He sits at a carved oak desk on which there is always a package of cigarettes.

This dry-land admiral is not quite 50 years old. He is of medium height, has good shoulders, and a flat waist line that any man his age would envy. This appearance of physical well-being he protects by some magic of his own. He takes practically no exercise and golfs

Lower Costs-
a Better Product-
Or Both!

THAT'S EXACTLY WHAT Thomastrip offers every manufacturer using stampings, drawn or formed metal parts of any kind, especially those exposed to moisture.

Thomastrip is a cold or hot rolled strip steel, zinc coated by a special process that makes it highly resistant to rust and absolutely eliminates all cracking, peeling or flaking while being formed into the shapes you require.

Comes in strips cut to length or coils as you prefer. Hot or cold rolled. You form it into any shape you require. Saves operation in your plant and gives you a more rust resistant product.

Thus Thomastrip is sure either to save you money or improve your product . . . . and it may do both!

Same temper as regular cold or hot rolled strip. Minimum camber. Width one-half inch to eighteen inches; thickness .008 to .083. Wider widths and heavier thicknesses on application.

Send for a sample of Thomastrip. Let this sample show you how Thomastrip can be of definite benefit to you. State size and thickness you require for your product.

THE THOMAS STEEL COMPANY
WARREN, OHIO

Thomastrip
Electro Zinc Coated Strip Steel

not at all though he belongs to half a dozen clubs. In talking he smiles and laughs continually. His eyes are deepset and of a piercing blue-grey. The forehead above them is wide and competent; its height is accentuated by the fact that his hair is retreating before the advance of age.

The Boy on the Farm

Theodore Stillman Chapman was a lawyer who later got into banking. His home was a farm at Jerseyville, Ill., near Alton. Paul and his three brothers were born on the farm and lived there until they were well grown, the elder Chapman possessing decided ideas about how boys should be reared. Paul must have been his favorite because he was subjected to the most rigorous Spartan training. Perhaps he got enough exercise on the paternal acres to last him for the rest of his life.

Paul's particular department was the chicken yard. He was put in complete charge and was censured or commended according to the egg dividends. Perusal of the poultry press convinced the youngster that there was one sure way of speeding production per hen. Authorities agreed that feeding green bone would encourage the fowls to astonishing records. Young Paul decided that he must have a green bone cutter. Finally he accumulated courage enough to ask the elder Chapman for the $4.85 necessary for the purchase.

"No, Paul," said the father, "It isn't necessary. You can get along without it."

The boy's disappointment must have been tragically evident. On his deathbed many years later the old gentleman said,

"Paul, there's one thing I regret. I should have bought you that green bone cutter."

From his desk today Mr. Chapman sees, every time he looks up, a portrait of his father, whose memory he venerates almost to the point of ancestor worship.

Entry into Financial World

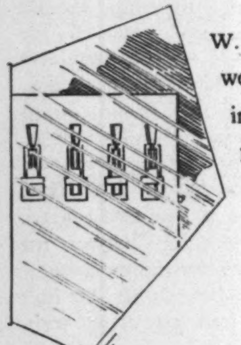
After finishing high school, young Paul took a load of steers to the Chicago stock yards. There he visited N. W. Harris, investment banker and a relation by marriage, whose firm later became Harris, Forbes & Co. Harris took a strong liking to the youngster, fairly pulled him off the farm and put him to work in Chicago. The letter of appointment hangs in Mr. Chapman's New York office. Salary named is $7 a week and the appointee is bound not to

Robots for Power Plants—
Glass Partitions for Basements

Robots and a central control board—designed and installed by us—enable one man to operate all of the major mechanical equipment in a large steam electric generating station.

Glass and metal partitions protect visitors from accidental contact with switch boards and mechanical equipment in the basement of a Barstow-planned office building.

Your building, too, can perhaps be made more efficient by incorporating an idea or two developed by our engineers.



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Our twenty-page construction booklet will be sent on request.

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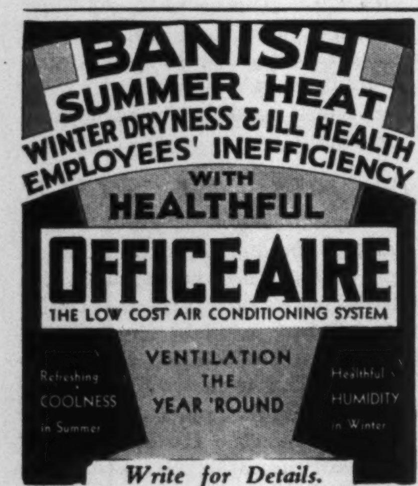

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The Business Week renders distinctive service in its timeliness and time-saving make-up; more important still, is its thorough and clear interpretation of the news from every business front.

mention the figure to any other employee.

Mr. Chapman became an expert buyer and seller of municipal bonds. Finally, he established his own firm which has prospered exceedingly. Expanding interests forced the removal of headquarters to New York. He built a bungalow on top of the Cedar Street building, hoping that he could continue to live at Highland Park near Chicago and sleep on the roof when he came to New York. The penthouse was never occupied.

"That's no way to live," Mrs. Chapman decided, "We'll move to New York." They moved.

There is quite a family for these days—four boys and a girl. The home is in Greenwich, Conn., and there is an apartment on Park Avenue. But Mr. Chapman has never become a New Yorker at heart, probably never will. His legal residence is still Highland Park. The old farm at Jerseyville remains in the family.

Mr. Chapman's nearest approach to a hobby is his dogs. When he went in for dogs there came into operation the same phase of his character which led him to buy the biggest ship. His favorite is an English mastiff which is the Leviathan of his race. He weighs 170 pounds and rejoices in the name of Bernardo-Pine Tree. When the judges of a dog show take one look at the benign magnificence of Bernardo they automatically reach for a blue ribbon.

It is not good for dogs to live alone, so Mr. Chapman imported from London a female mastiff, yclept Tondeleo, and gave her to Bernardo to wife. As yet no 50-pound puppies romp about the Chapman fireside to break furniture and amuse the family. Mr. Chapman broods about this. He is a staunch believer in the old-fashioned virtues and race suicide is not one of them.

Japan Brings "Tourist Third" to the Pacific

Criterion of transatlantic passenger speed and luxury, always shifting, now rests with Germany's two super liners —the *Bremen* and the *Europa*.

On the Pacific, Japan has generally been conceded first rank with her new *Chichibu Maru*. Now the smaller *Hikawa Maru* claims fresh honors, has crossed from Yokohama to Victoria in 10 days and 12 hours, has introduced to the Orient "tourist third," which to Yokohama costs only $125, compared with the $300 in "first."

Navy-Trained Management Spreads Over Business Map

Jewel Tea Thrives Under It, So Club Aluminum and Van Camp Buy Some

MANAGEMENT, most important factor in business, is a scarce commodity. Few corporations have it for sale—they haven't enough for their own needs. But Jewel Tea, it seems, has management for sale.

Club Aluminum Utensil Co. has entered into a three-year management contract with Jewel Tea. The price sounds reasonable. Jewel has an option to buy control at any time within the three years—at a price well above that now quoted on the Chicago Stock Exchange.

Now Van Camp Packing Co. is to have Jewel management. The deal has just been closed. As in the Club Aluminum arrangement, the corporations will be kept entirely separate. Herbert J. Taylor, administrative vice-president of Jewel, is now president of Club Aluminum. M. H. Karker, president of Jewel Tea, will be chief executive head of Van Camp.

Jewel Tea Co., Inc., does a $17-million traveling chain store business, selling coffee, various packaged staple foods, spices, and toilet articles from 1216 "wagons," really motor trucks. It sells also through retail grocers in New York City and Hartford, Conn. It uses premiums—sometimes aluminum ware. Van Camp's specialties complement the Jewel line.

Van Camp cans and packs 50 varieties of food and vegetable products, and edible vegetable oil products. It has distributed through a subsidiary to wholesalers and chain stores. It does a gross of $23 million.

Business Quickly Built

Club Aluminum, a house-to-house distributor, built up a big business in a hurry recently, selling cast aluminum ware, but got into financial difficulties late last year. Jewel Tea's period of financial difficulties was 10 years ago. Thanks to good management, the company has pulled through handsomely, retired all bonds, notes, and preferred stock, and is now earning 10% on net sales, $6 each on 280,000 common shares.

John M. Hancock is chairman of Jewel. It was his success in pulling Jewel through its post-war troubles that won for him a partnership in Lehman Brothers. Demand for his advisory services is now considerable. He represents his banking house on the directorate of numerous chain store concerns: Kroger Grocery and Baking Co., W. T. Grant Co., American Stores Co., Piggly Wiggly Corp. He is one of the two directors of Sears, Roebuck & Co. that are not officers of the concern. Other directorates on which Mr. Hancock serves: Kelly-Springfield Tire Co.; Cluett, Peabody & Co., Inc.; Long-Bell Lumber Corp.; International Silver Co.; General American Investors Co., Inc.; A. Stein & Co.; The Florsheim Shoe Co.; B. Kuppenheimer & Co., Inc.; The Cuneo Press, Inc.; and Van Camp Packing Co., Inc.

The Navy has figured prominently as a source of Jewel Tea management talent. Mr. Hancock came to the company in November 1919 direct from being in charge of the purchase division of the Navy's bureau of supplies and accounts. Later on he brought in another Navy supply officer, Maurice H. Karker, as vice-president. When he went with Lehman Brothers in July, 1924, Mr. Karker succeeded to the presidency. He is still there.

Herbert J. Taylor, now Club Aluminum chief, was in the Navy during the War, too. He met Karker when both were serving at the supply base at Brest, but did not join the company until December, 1924. He became office manager shortly after, vice-president four years later. He is still in the early thirties. At the age of 14 he started work as a telegrapher on a Canadian railroad, later worked his way through Northwestern University working nights as a reporter for the Chicago *Evening Post* and the *Chicago Record-Herald*.

"Man-Power the Thing"

"Man-power is the thing in this business," Mr. Karker has said. "The man on the wagon is the Jewel Tea Co., as far as the public is concerned. If he has a dirty collar, then the Jewel Tea Co. has a dirty collar." At least twice a year executives and men meet personally. In the spring the men come into headquarters; in the fall Mr. Karker and his executives go on a trip of several weeks holding district conventions all over the country. The company does business in 40 states, all except New England and the Northwest.

Jewel Tea was one of the first companies to adopt the 13-month calendar. It was one of the first to pick itself up bodily and move its headquarters from

THEY'VE ALL WORN NAVY BLUE

John M. Hancock, chairman of Jewel Tea and partner in Lehman Brothers, and (at right) M. H. Karker, president of Jewel, are ex-navy men. So are H. J. Taylor, executive vice-president, and James M. O'Connor, assistant to the chairman a big city to a small suburban town. This move took place in April, to Barrington, Ill., a town on the Belt Line railroad, 35 miles northwest of Chicago. Only 4 of 175 office employees in Chicago refused to go along. The move has proved to be even more successful than was anticipated. Consolidation of office, manufacturing, packaging nd shipping in one big million dollar building, light and airy, has speeded up operations and reduced costs.

Like a modern castle, this building towers up on 200 acres of one-time farm land, part of which is now laid out as a modern subdivision development on which a number of employees have built or are building homes.

Inquiry by *The Business Week* into Jewel Tea's management methods, seeking to find out how there happens to be surplus management for sale, fails to reveal any magic formula.

It is the old, but none too frequent, story of uncommon common sense, of straight-line methods, direct dealings. It is an organization of square-shooters. It does business on the assumption that not only its employees but also its customers are of the same character. Good men are on the wagons, where the training of future executives starts. College graduates are recruited.

Government Finds Excess Of Knitting Machines

SCRUTINIZED closely, the government report on machine obsolescence in the knitted outerwear industry yields a plethora of statistics and a paucity of plain, rigid facts. Mathematically-minded manufacturers have, in a few cases, set actuarial experts to work with slide-rules. They want to know the average life of their machines, the time for replacement. Knitters are a bit disappointed, have admitted that a bare start has been made. Few find in the report any scientific basis for scrapping or replacing machines.

Example of facts revealed by the study is the statement that out of 805 "circular machines," 416 are operated less than half the time, and 226 are operated full normal time. The facts imply excess capacity—that the industry could produce two garments for every one now produced, that there are too many variations in sizes and styles of machinery, and that too few machines have any "age limit."

Actually, the report is more nearly a basis for future studies than a checking standard for existing machinery.

Small Bond Issues Slow, Improvements Held Up

SPECIAL assessment bonds, such as are commonly issued by municipalities to pay for paving, sewers, street lighting, and various neighborhood public improvements, and usually turned over to contractors in payment for work, are so hard to sell or are discounted so heavily that needed construction work is being impeded. So contractors complain.

Established dealers in such bonds reply that good ones are selling almost as well as ever, but others are not being disposed of so easily.

Buyer's confidence is shaken by the fact that numerous defective issues put out during the last few years are defaulting. This is not surprising. Until recently, if a contractor could not sell his bonds to someone who knew the difference between good ones and poor ones, he could sell them to someone else who didn't. Now such outlets are sealed up. Only the canny buyers have ready cash.

Personal judgment, long experience, are of prime importance in rating special assessment bonds. No two issues, even of the same town, are alike. The uninitiated purchaser will inquire about population, total bank deposits, total assessed valuation, other chamber of commerce talking points. The experienced buyer insists on knowing that the assessments actually available are 10% or more in excess of cost of the improvement, so that a cushion to take care of questionable or unpaid assessments is provided. He asks about the business methods of the municipality, its record in meeting its obligations, the real need for the improvement provided.

Special Assessments Help

Special assessment bonds are one of the most popular ways yet discovered of getting around city debt limits. Legally in most states, indebtedness of a portion of a city is not charged against the city as a whole. Where a municipality does in effect endorse special assessment bonds of its subdivisions, a saving of 1% or more is frequently effected.

From the taxpayers' point of view, special assessment bonds are an expensive way to get improvements. Even at the best, issues are small, markets limited, making for high financing charges.

THE WORLD'S BIGGEST WATER WHEEL

This rotor spider measures 43 feet across. It is part of a generator now building at General Electric for the Spier Falls station of the New York Light and Power Co. In output it will be second only to the generators in use at Niagara Falls

Effect of Tariff on Wages And Cost of Living Is Vague

Usual Estimates—Such as "the Billion Dollar Tariff"—Are Merely Absurd Fantasy

THE highest tariff in our history, intended to benefit the farmer, won't do him much good. Other export industries were left out of consideration, but the tariff probably won't do them much harm either, unless unfavorable foreign sentiment leads to boycotts of American goods. Boycotts are not amenable to diplomatic negotiation or to Tariff Commission flexibility; but they are hard to organize and maintain.

Who, then, will benefit or be hurt by this tariff? Consumers generally or labor particularly in the protected manufacturing industries working for the domestic market?

It is obvious but usually forgotten that large numbers of American workers, employed in industries where nothing is either exported or imported and which cater solely to the domestic market for their goods and services, cannot benefit in any way from this tariff. These are some of the biggest industries —the construction industries, the transportation industries, the million-odd public employees, the millions in domestic and personal service or professional occupations and the bulk of those engaged in wholesale and retail trade, as well as banking and finance. Not any of these people are affected in their occupations either by foreign competition or by its cutting off.

Few Can Benefit

Only a relatively small fraction of the working population, engaged in a few manufacturing industries that are highly protected, or the few farmers producing a small part of the total agricultural income, can benefit by whatever effect this tariff may have in reducing imports and raising domestic price levels. All the rest can be hurt by the tariff only so far as their cost of living as consumers is raised. How important is either of these effects likely to be?

No one has ever been able to demonstrate the inevitable specific effect of a tariff upon the domestic price of any product to which it is applied. Even in the case of certain things, like sugar, in which the bulk of the supply is imported, the domestic price is never simply the world price plus the tariff. Prices in the domestic market fluctuate with supply and demand and general business conditions just as they do in any market, regardless of the tariff, unless there is a complete, and therefore illegal, monopoly. The tariff is merely constantly engaged in chasing the domestic price around trying to attach itself to it, but rarely succeeding completely. Some imports always continue even after a tariff increase. Where they are normally large, they may be temporarily reduced by the tariff; the domestic market becomes undersupplied, prices rise, imports tend to increase. If the domestic price comes up to the full amount added by the tariff, domestic production tends to increase and prices to drop. In this way the average domestic price reflects only part of the tariff increase.

Where the tariff is nearly completely effective capital and labor tend to be drawn into the industries benefited, and ultimately profits and wages are not maintained above average levels in other industries—especially those with an international market—unless illegal monopoly conditions exist. This may be one explanation of the curious paradox that wages in the most unprotected industries, like the automobile industry, are and have nearly always been higher than in the most highly protected industries, like the textiles.

At any rate, it is inherent in the theory of protection that a tariff is intended to build up weak industries until they are able to compete on a basis of efficiency with foreign industries, after which time the tariff is no longer effective or needed. Unless this happens the workers in such industries do not benefit at all, and when it does they lose their advantage over others.

Bulk of Imports Unaffected

Whatever the effect of the tariff on prices of imported goods, cost of living of consumers, or wages of workers, it is clear that it will not affect the bulk of our imports at all. As indicated in the last issue of *The Business Week*, not more than 20% of our imports fall within the influence of effective protection. Things like bananas, rubber, jute, spices, tin, platinum, coffee, tea, which the United States cannot produce, come in duty free.

A second type of imports are the

DOWN THE DEMOLITION LINE

Junking is reduced to a system in Ford's River Rouge plant at Dearborn. As the road wrecks move slowly along on the conveyors, workmen remove tires, glass, fabric. What is left is crushed in a press and shoved into the furnace specialty or style goods, which come in because of ingenuity of design or quality of workmanship, and will continue as long as the American public has money to buy them. Price is not a factor, because the spread between production costs and retail prices is usually sufficient to absorb the tariff on them.

Another class of imports are those in what might be called "the border trade," such as cement, brick, garden truck, milk, and lumber, where ocean or rail shipping rates permit imports along the seaboard or other borders. Such shipments are negligible in proportion to the domestic supply. The tariff on them can affect only very local markets at times.

Complex Effects

In a fourth class are commodities like sugar, tropical oils, or hides, of which we supply only a small part of our domestic needs. The tariff cannot stop the imports of these to a very large degree, and in proportion as the domestic industries are stimulated the effect on prices is diminished. Factors other than the tariff tend to determine prices in these fields more than the tariff itself. For example, wool production is tied up with the demand for lamb and mutton, and hides bear the same relation to beef and veal, milk and butter. Usually a single commodity is so linked to basic products or byproducts that it does not stand alone and the effect of the tariff is very complex and uncertain.

Finally there is a fifth class of imports which could be produced in the United States but which come in because the foreigner can, and probably always will, undersell us. Typical under this category are hand-labor items, such as embroideries, as well as flax, castor beans, felt hat bodies, certain types of shoes and clothing. It is questionable whether tariffs on such products are very effective in raising prices or domestic wages for any long time.

Absurd Arithmetic

For these reasons, the usual estimates of the domestic effects of tariff on the cost of living or wages are absurd. The large bulk of import trade is goods sold in commodity exchanges where prices work themselves out on a supply and demand basis and where it is impossible to trace the specific effect of the tariff. To take the $100 millions increase in customs revenues under the new tariff and multiply it by 10, on the ground that imports are a tenth of our domestic production, and so arrive at "a billion dollar tariff bill" to the consumer is merely fantastic arithmetic and has little or no relation to the facts.

Specific Industries

As regards specific industries, effects of recent tariff changes may differ widely. Mining is relatively untouched, except in a few minor things like manganese, mica, talc and feldspar. Silver is unprotected, but it is hard to see how any duty would help an export industry in the present situation of world oversupply of the white metal. Lowered rates on aluminum make little difference to interests controlling world supply on an international scale. The higher rate on cement applies only to seaboard entries amounting to less than 2% of the amount used. The tariff on softwood lumber merely embarrasses certain Canadian mills. Many American lumber men do not want it because of their holdings across the line.

Railroads can be directly affected only by changes which the tariff barriers make in the flow of goods. So far as tariffs tend to shut out ocean shipments from outside, internal rail shipments may increase to some small degree. For example, after President Coolidge raised the peanut duty, carload lots went from Virginia to the West Coast whose goober wants formerly had been supplied by China. Some such redistributions are bound to occur under the new tariff to the gain of some roads, with losses to others, and not much difference to the whole.

Machinery Little Interested

The machinery industry is little affected by tariff changes. Though its basket clause rate was dropped from 30% to 27½%, foreign competition does not amount to much except in the "Chinese copies" which some European nations are making on items developed here.

Textiles are not much helped, although they have been given as much tariff support as any other industry except agriculture. A large part of the imports that count are style goods, which will continue to come in. Raw material duties have had a large influence in shaping textile rates—on raw wool, wool rags, flax, and long staple cotton. The wool trade seems to think this will have a steadying effect on raw material prices which will check any decline in the price of woolens or worsteds. Cotton fine goods people are concerned over the increase on the long staple cotton which they use. Silk and rayon spinners and weavers see little effect either way.

Dyes are unchanged and chemicals little touched. These probably have benefited from the tariff, having been built up as a post-war infant industry under high protection.

The meat packers, canners, millers, preservers, bottlers, and other foodstuffs processors are theoretically in direct line with a tariff aimed principally at agricultural products. However, these people concern themselves mainly with domestic produce and so escape most of the burden. Furthermore, they are protected by compensatory rates, as are the wool manufacturers, and so can ring in with the farmer on whatever tariff benefits there may be.

Millers Face Stiff Duty

Millers face a stiff duty, already set by presidential proclamation, on Canadian hard winter wheat which improves their flour for baking purposes. However, they still can mill this wheat in bond for shipment to Cuba.

Boots, shoes and leather goods, though subject to a duty of 10% on hides with corresponding advances on leather and shoes, are likewise to receive no great knock or boost. Raw hide prices bear a small ratio to those of the finished product. Besides, everybody knows that the shoe industry, like many another, is suffering from overproduction and that the stoppage of incoming women's shoes from Czechoslovakia and other such nibbles at the market will not do much to cure a basic condition.

Import and export commission houses, of course, have some complaint against the tariff because they fear its effects upon the volume of their turnover in certain lines or with certain countries. But since our export and import trade seems bound to grow, as a whole, at much the same rate as in the past, the difficulties which these interests may face are essentially only matters of shifting one line or one field to another—which applies to almost all aspects of the question of tariff effects.

What It Adds Up

In general, the effects of the tariff on domestic trade are similar to those upon international trade as a whole. The tariff means, inevitably, some shifting of the currents of our foreign trade as among various types of goods and various countries. So, in domestic fields, it can mean only a similar gradual redistribution of burdens and advantages, leaving our business life and economic situation as a whole very little altered.

Wide Reading

Mergers in the Cotton Industry. Edmund P. Learned. *Harvard Business Review,* July. Can problems of the cotton industry be solved by higher tariff walls, or does the remedy lie in internal mergers?

Agencies That Go on "General Vacations." *Advertising & Selling,* June 25. Fresh list of companies in one field that shut up shop entirely for a two- or three-week vacation.

Government by Technologists. Charles A. Beard. *New Republic,* June 18. There are human factors that defy chemical analysis or statistical computation, and a government that does not take them into account is as unscientific as one that ignores mechanics, physics, and chemistry.

Tomorrow's Newspaper. William Preston Beazell. *Atlantic,* July. The number of newspapers will diminish, ownership will be more concentrated, publishing more mechanized. Vital statistics of the nation's journalism.

Building Efficiency into a City. W. J. Austin. *Nation's Business,* July. The modern city is merely an industrial machine and should be designed as such if it is to flourish.

The Proposed Bank Tax Amendment. Thomas B. Paton. *American Bankers Association Journal,* June. Agreement reached between the committee of the American Bankers Association and the committee of the Association of States on Bank Taxation by which section 5219 is to be modified.

New Markets and New Uses Boom Natural Gas Industry. G. L. Ohrstrom. *Forbes,* June 15. Infant prodigy in the utilities field; produced in 25 states; more than 50,000 miles of pipe lines in the United States.

Savings for Which Banks Can Compete. Joseph Stagg Lawrence. *American Bankers Association Journal,* June. Only 24% of total free savings went to banks in 1929, but in 1919 banks received 74%. Stock purchases rose 954%.

Rebuilding the Economic Life of Roumania. Frederic A. Ogg. *Current History,* July. Business facts relating to a little-known country. Pertinent under present realignment of power.

BOOKS

Control of Retail Store Operations. Godley and Kaylin. Ronald, 458 pp., $6. Department store management from the modern angle which functions through the controller and the budget. Comprehensive reference book for the retail excutive.

Watch Your Selling Dollar! Archibald M. Crossley. Forbes, 360 pp., $5. Modern tendencies in distribution. Stresses market research.

New York Laws Affecting Business Corporations. United States Corporation Company, 446 pp., $2. Eleventh edition with revisions through May 11, 1930.

CARPENTER

No. 5

EASY TO MACHINE

EASY TO GRIND

EASY TO POLISH

100 parts or 1,000,000—and the last one as perfect as the first—when Carpenter Stainless is the steel you use.

THIS STAINLESS STEEL WILL BEHAVE ITSELF IN YOUR MACHINES

Machining and polishing stainless steel are things about which you've probably heard stories of trouble and difficulty . . . Such stories never come from any user of Carpenter Stainless No. 5. For this is a type of stainless steel that actually machines and polishes as easily as ordinary screw stock—you can prove it yourself—on your own machines. No special adjustments or changes. No slowing up of production. No extra expense. Regular users even say—"On many small parts our production costs with Carpenter No. 5 are usually no higher than with ordinary steel plus plating."

Similar exceptional quality is found in Carpenter Stainless Strip. Uniform dead softness that has created new standards of successful stamping and drawing. Unusually fine pit-free surfaces that buff to a high lustre easily, economically. Available in straight chrome irons or 18-8 chrome nickel.

Carpenter samples are yours for the asking. Make the test —it's worth your while.

THE CARPENTER STEEL COMPANY, READING, PA.
Tool and Alloy Steels Exclusively

Carpenter
STAINLESS STEEL

This is the steel that has been widely adopted by the Automotive Industry to replace many plated parts.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

Pessimism dominates the business outlook in almost every country and no change for the better is in sight. Trade during the summer months probably will be written off as a total loss. Immediate crop uncertainties in half a dozen countries are having an unfavorable effect on prices already affected by persistent recession. It is felt now that no general economic recovery is possible before late autumn or, perhaps, even later.

The meeting of the Little Entente is foreseen as the possible commencement of a European agricultural cartel with resulting closer economic union between Roumania, Jugoslavia, and Hungary. Czechoslovakia, which has signified participation through trade agreements, is the only industrial country involved.

Progress of the negotiations for a synthetic nitrogen cartel is being kept dark, but cooperative plans with the Chileans are still under discussion. In the meantime, the Chileans will enforce existing price and sales agreements in England and Ireland for another month. The international rail cartel has decided to maintain prices for the third quarter. Little consideration is given to the possible effects on Far Eastern orders which may result from the construction by Japan of a rail plant in Manchuria.

By Special Cable to The Business Week

Great Britain—Depression continues. Stock markets are dull except for trading in giltedged securities.

Rushton & Hornsby, engineers and boiler makers, report that a working arrangement has been made with Lister & Co., in which the cooperation of 12 engineering firms has been secured to coordinate designs for greater efficiency of production. Though the agreement involves no merging of finances and control, the total assets of the companies involved are $30 millions. Besides plants in England, the companies control subsidiaries in the United States, Canada, Australia, and on the Continent. Fusion of the International Tea Stores with Home and Colonial Stores—the latter controlling Associated Meadow Dairies, and Maypole Dairy—and the Lipton companies with total capital of $31,125,000 (ordinary) and $26-160,000 (preference) is one further step in the rationalization of retail trade. Unilever is said to control Home and Colonial so distribution is linked with production in the merger.

After a long conference in London, British and Dutch rubber interests adopted unpublished plans for some form of restriction which will be submitted at once to the growers' association for approval. Though there is no official announcement, it is rumored among London dealers that the committee will approach the government asking restriction of 25%. Tin producers will suspend production for two of the next three months, with quarterly limitation to 20% of the 1929 output. This plan will be effective over 70% of the world's tin production.

By Special Cable to The Business Week

France—The week has been seasonally featureless but the business tone remains the best in Europe, although the anticipated depression cycle continues to be creeping up on industry. Controversy over the United States tariff has completely subsided, apparently at the realization that French goods are relatively spared, and because of the general belief that government officials in Paris are really examining the matter with a view to taking whatever action circumstances may command in order to maintain adequate protection of French prosperity. Significant in this connection is the enthusiastic press comment concerning Spain's adhesion to Briand's memorandum on the economic federation of Europe, such adhesion being hailed as characteristic of a new sentiment in European solidarity in the face of American imperialism. The Little Entente is expected to follow Spain's lead, but the attitude of England and Germany is rather reserved.

Rhineland evacuation is the week's dominant event. While leading French opinion is somewhat alarmed at the political consequences of the restoration of Germany's territorial integrity, especially because of France's military unpreparedness, business and industry are optimistic in the belief that this is highly conducive to a final rapprochement with Germany and resultant close economic cooperation between the two countries. Such opinion, though reasonable, is rather hasty because Germany will now demand the return of the Saar Basin as a condition of reconciliation. This problem is more economic than political because France's ownership of the Saar coal mines is now to be the chief point in the coming negotiations.

Wide World

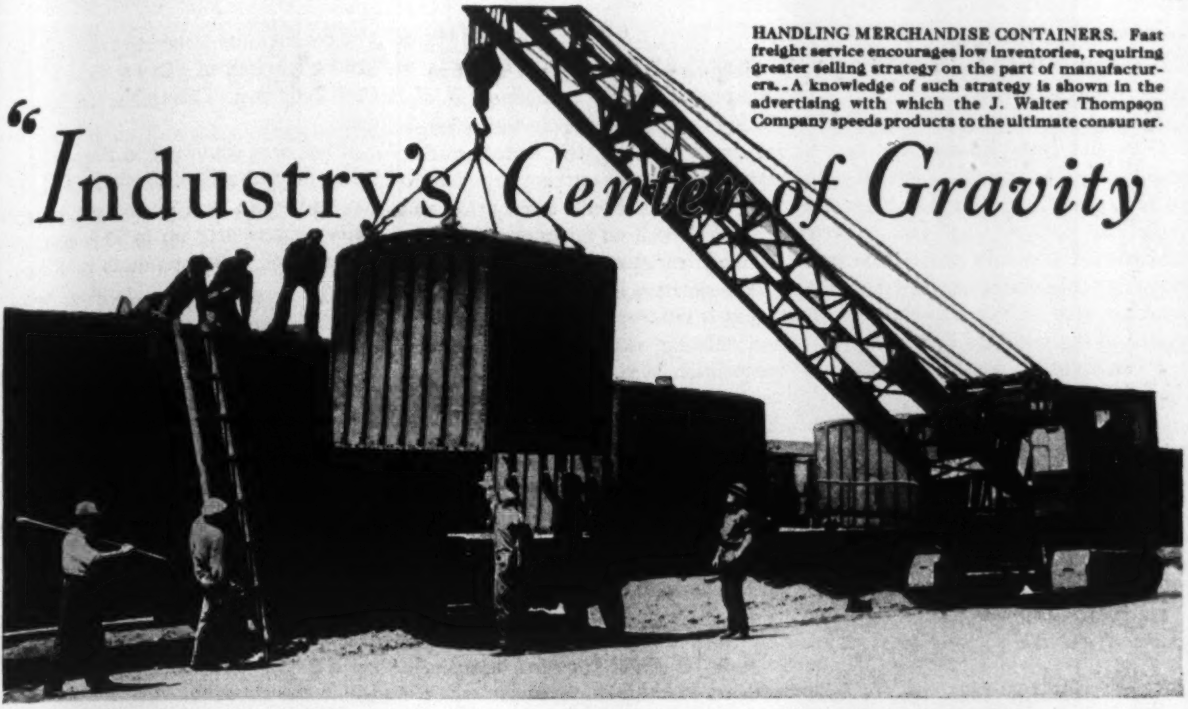
China's Air Pioneer

R. L. Fries arrives in Los Angeles. He installed China Airways, operating from Shanghai to Hankow. He hires only American aviators for his ships

By Special Cable to The Business Week

Germany—Once more the entire economic situation is dominated by the hopeless financial muddle which has made it necessary for the third time within a half year to provide cover for the ever-increasing budget deficit. The new finance minister, Dr. Hermann Dietrich, has only slightly modified Moldenhauer's last program. The principal changes are in the emergency tax on salaries to public employees of 2.5% instead of 4%; instead of a taxation of private employees, a surtax on all incomes exceeding $2,000, which will yield $33 millions instead of the earlier schedule to yield $42 millions; and a reduction of expenditures and minor items from $115 millions to $42 millions. The modified program is likely to be accepted reluctantly by a majority in the Reichstag who are now terrified at the prospect of a general election. Dr. Dietrich stresses the importance of carrying out the refunding of the floating debt in accordance with the December schedule in order to protect German foreign credit. Financial experts in Berlin question whether Dietrich's financial program is adequate;

"Industry's Center of Gravity



HANDLING MERCHANDISE CONTAINERS. Fast freight service encourages low inventories, requiring greater selling strategy on the part of manufacturers. A knowledge of such strategy is shown in the advertising with which the J. Walter Thompson Company speeds products to the ultimate consumer.

is shifting from the Factory to the Store"

says HARRY E. WARD

HARRY E. WARD, *President of the* IRVING TRUST COMPANY

"A BROAD view of the industrial problem," he continues, "can regard production as complete only when the product has reached its final destination.

"Industry has mastered straight-line production within the factory. The next task of its leaders is to extend that straight line to the ultimate consumer. Business increasingly requires managerial talent with a creative grasp of distribution."

• • •

Mr. Ward's statement summarizes conditions with which the J. Walter Thompson Company has been in intimate daily contact for many years. This company has had the experience of working with business executives of the type Mr. Ward describes.

Collaborating with them in charting, following and sometimes in changing the complex channels of distribution, the J. Walter Thompson Company has served as advisor in the planning and execution of market strategy as it bears upon the ultimate consumer.

In the course of this work, the J. Walter Thompson Company has not only acquired a wide fund of experience, but has also assembled a staff thoroughly familiar with the latest developments in the various specialized fields of modern merchandising.

As a result, the J. Walter Thompson Company is able to present a complete picture of the marketing situation as it relates to a given product, and in the light of this knowledge to make the advertising prepared an integral part of a well-adjusted sales policy.

Helped by this collaboration, many leading enterprises have maintained their position in existing markets and have penetrated new ones. The stabilizing influence thus secured has enabled them so to coördinate production and distribution that the two have in many cases become a single continuous process.

In this way the J. Walter Thompson Company is contributing its share to the solution of one of the most important problems which faces American business today.

• • •

Two folders, entitled "Selling at Home," and "Selling Abroad," have been prepared briefly to show the scope of the service of the J. Walter Thompson Company.

These folders will be gladly sent to executives interested. Write to the New York Office and copies will be mailed promptly.

LESS THAN 9,000 packaged items in this modern drug store. An old-fashioned competitor nearby carries more than 14,000. Neither sentiment nor special attention sway this up-to-date storekeeper. He carries 25 lines that give him less than 20% profit. He has recently refused to handle 30 that offer him more than 100%; yet he does three times the business of his competitor. His customers determine his stock. The J. Walter Thompson Company has been notably successful in influencing the purchases of his customers.

J. Walter Thompson Company

New York • Graybar Building • 420 Lexington Avenue

Chicago, Boston, Cincinnati, San Francisco, Los Angeles • Montreal, Canada • London, Paris, Madrid, Berlin, Stockholm, Copenhagen, Antwerp, Warsaw • Alexandria, Egypt; Port Elizabeth, South Africa • Buenos Aires, Argentine; Sao Paolo, Brazil • Bombay, India • Sydney, Melbourne, Australia • Batavia, Java.

assert that the final deficit of the federal budget is likely to exceed even the latest official estimates.

General negotiations between industrialists and labor leaders have failed, mainly due to apprehension of the latter to give their consent to a general wage cut because they fear it may strengthen Communist propaganda proclaiming trade unions are betraying the working class. Negotiations are expected to be continued by trade groups but immediate concrete results are doubtful.

Following the last cut in the bank rate there has been an abundant supply of domestic call money which has caused a reflux of foreign short term credits and subsequent adverse movement of dollar exchange. The development is viewed without alarm, considering the Reichsbank's gold and foreign exchange plethora, and the pending fresh influx of foreign funds in July due to the arrival of proceeds from the German quota of Young bonds and other loans.

Despite its strained position, the Federal Railway Company announces new coal export freight rates equivalent to a reduction of 50 cents to $1.20 per ton, thus facilitating coal dumping on foreign markets, notably Scandinavian.

Industrial depression is furthering concentration. In the cotton industry, merger of Hammerstein and Dierig companies under a new holding company—Deutsche Baumwoll A. G.—will bring under one control 560,000 spindles, and 15,000 looms, and lay the foundation for the first German cotton trust. Absorption of the South American and Hansa lines by Hapag-Nordloyd, anticipated for several months, is nearing realization through the efforts of the potent Bremen banker, Schroeder, who holds a controlling stock in the South American lines.

Purchase of the nitrogen coke byproduct plant at Mont Cenis by Farbenindustrie, already a dominating factor in German synthetic nitrogen production, breaks the front of the nitrogen cokeoven producers and strengthens the position of Farbenindustrie within the German nitrogen cartel.

Vereinige Elektricitaetswerke Westfalen, important public utility company heretofore exclusively owned by local interests, will undergo financial reorganization, in the course of which capital will be increased from $15 to $30 millions. The new issue, taken over by a banking consortium in which the American company of Harris Forbes is included, signalizes the opening of a new field to American capital.

By Special Cable to The Business Week

Belgium—The industrial situation is unimproved. Steel producers are discussing an arrangement with British merchants covering the British market and British merchants are reported to have agreed to observe cartel prices and not to encroach on territory reserved to particular cartel members.

The situation in the window glass industry is unfavorable with heavy stocks accumulating, demand weakening, and competition keen. Brokers object seriously to the formation of the Fourcault combine (*The Business Week,* July 2) but plans are expected to go through as reported. The plate glass market is still strong due to the strict control of the union in limiting production and maintaining prices. Coal demand is weak and stocks are accumulating.

By Special Cable to The Business Week

Italy—Business remains unchanged with no marked improvement expected before autumn. The May budget shows a credit balance of $5,500,000, thus reducing the year's deficit to $6,875,000. It is expected that the budget will be balanced when returns through June 30 can be announced.

Resentment over the American tariff is reflected in the speech of M. Turati, Fascist party secretary, at Bologna, and in the increased duty on automobiles of $77 on machines weighing from 700 to 1200 kilograms, of $85 on those above 1200 kilograms. This trebles the former duty.

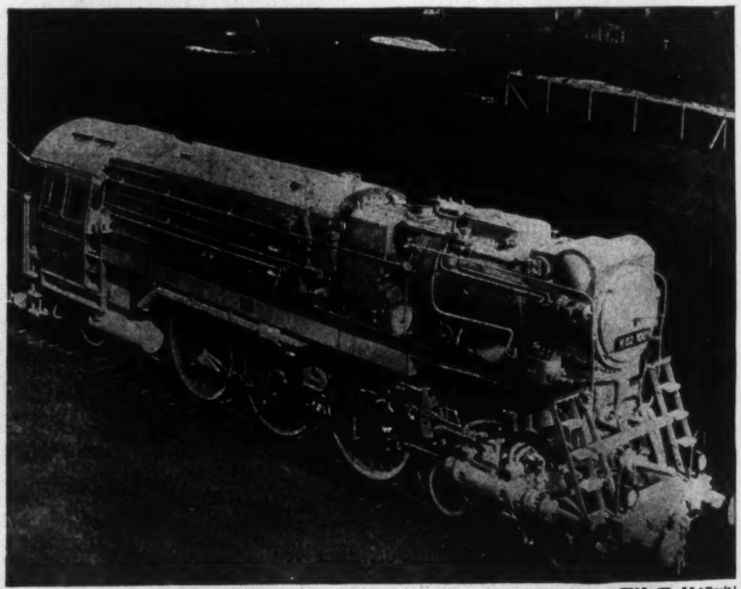
It has been confirmed in Rome that a credit of $10 millions will be opened for three years and guaranteed by the Italian government up to 75% for exportation of Italian products to Russia.

LATIN AMERICA

Plunge of the Argentine exchange to a new abysmal low of 124 focused business attention in Latin America. Seldom since the Caja de Conversion was established in 1890 has Argentine exchange fluctuated so violently. Since the Caja de Conversion closed on December 16 to prevent further exportation of gold, the exchange quotation has dropped 17.65 for $100.

In Brazil the government this week ordered the removal of all restrictions on the sale and purchase of milreis within the country.

Colombia is completing preparations for the inauguration of Dr. Olaya. Wall Street is more than ordinarily interested, anticipates rapid business rehabilitation after the Kemmerer commission reports and Dr. Olaya introduces reformative legislation now expected. Rumors of the personnel of the Kemmerer commission are afloat, are expected to be announced next week.



Wide World (Paris)

GERMANY'S "HUSH-HUSH" LOCOMOTIVE

Delegates to the World Power Conference in Berlin were invited to inspect this newest fuel-saver. Steam enters the cylinders at 1700-pound pressure, develops 2500 horsepower. American locomotives usually operate on 200 pounds. The American Locomotive Co. and the Superheater Co. are now building an engine of similar design for use on the Canadian National Railways

What the Figures Show

	Latest Week	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*95.2	‡93.9	107.7
Production			
Steel Mill Operation (% capacity)	64	66	94
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	§	$19,211	$21,183
Bituminous Coal (daily average, 1,000 tons)	*1,332	‡1,331	1,533
Petroleum (daily average, 1,000 bbls.)	2,611	2,599	2,815
Total Electric Power (millions kw.-hr.)	*1,790	‡1,795	1,825
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	153	155	178
Check Payments (outside N. Y. City, millions)	$5,810	$6,145	$5,708
Money in Circulation (daily average, millions)	$4,468	‡$4,481	$4,682
Wheat Receipts (1,000 bushels)	4,558	3,681	6,266
Cotton Receipts (1,000 bales)	49	71	73
Cattle Receipts (1,000 head)	*116	160	156
Hog Receipts (1,000 head)	*520	‡513	528
Wool Receipts (1,000 lbs.)	21,200	14,738	16,028
***Prices** (**Average for the Week**)*			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .84	$ .90	$1.09
Cotton (middling, New York, lb.)	$ .136	$ .137	$ .185
Iron and Steel (composite, ton)	$33.34	$33.44	$36.76
Copper (electrolytic, lb.)	$ .116	$ .118	$ .178
All Commodities (Fisher's Index, 1926-100)	85.7	86.2	97.7
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$17,059	$17,128	$16,678
Commercial Loans, Federal Reserve member banks (millions)	$8,572	$8,513	$9,139
Brokers' Loans, New York Federal Reserve member banks (millions)	§	$3,416	$5,769
Federal Reserve System Ratio	§	83.7	72.9
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	15,038	26,487	19,848
Stock Prices (N. Y. Times, average 50 stocks)	$186.67	$192.02	$260.47
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$51,132	$60,966	$73,740
Bond Prices (Dow, Jones, average 40 bonds)	$95.01	$95.26	$93.37
Interest Rates—Call Loans (daily average)	2.2%	2.5%	9.4%
Interest Rates—Time Loans (daily average)	2½-2¾%	2¾-3%	7¾-8%
Business Failures (Dun, number)	490	487	425

*Preliminary ‡Revised §Not Available

THERE were increasing signs of stabilization and greater resistance to more than seasonal decline in business activity this week. Productive activity is holding up fairly well against the normal slackening tendency at this season. General trade remains at a relatively higher level than productive activity, and not far below normal for the season and the year. Though declines continue and are predominant in the list of commodity prices, the rate of decline from week to week is not so large as it has been on the average during the past year, and there are faint signs of strengthening or increasing resistance to further decline in certain key products. A most reassuring feature of the situation is the continued high rate of bank credit expansion.

Business Index Rises Again

The Business Week's preliminary index of the volume of general business activity for the week ending June 28 has risen further to 95.2% of normal as compared with the final index of 93.9% for the preceding week and 107.7% for the corresponding week last year. This rise is due chiefly to a fairly high level of bank debits and building construction. Owing to an early press date for this week's issue the preliminary index is subject to revision when later building construction figures are available, but it is likely that a substantial rise will finally be shown in this week's index in any case.

The production group in the index declined slightly from 92.3% of normal to 91.8%. The group of general trade indicators as a whole increased sharply from 95.1% of normal to 97.9%.

Steel Activity

Steel activity continues to slacken gradually in accordance with the usual seasonal trend, though the rate of decline is still somewhat less steep than in a normal year like 1928. Further curtailment is expected this week for the usual Independence Day holiday shutdown, but trade sentiment is improving and there is increasing belief that steel activity as well as prices are very near the bottom and that an upturn may be expected during July. Demand conditions are not greatly changed. The unprecedented activity in pipe line production continues. Though structural steel inquiries were somewhat smaller this week and awards only about average, a large volume of structural work is pending and is expected to be awarded before the end of July. Shipbuilding steel demand is active. There is increasing resistance to further price declines and scrap prices are fairly firm.

The Business Week's index of steel ingot production, adjusted for year-to-year growth and seasonal fluctuations, declined from 96.8% of normal to 93.9%.

The latest week's general building figures are not available as this issue goes to press, but an estimate indicates that only slight decline will be registered in our index, adjusted for seasonal fluctuations and year-to-year growth and based on the past four weeks average, bringing the index down to about 10% below normal. Heavy construction contract awards for the week ended July 3 have declined from the preceding week and were below last year. Figures for June as a whole show heavy construction awards only slightly below those of last June.

Coal and Petroleum

The daily average rate of bituminous coal production remained practically unchanged for the week and is running along in line with the usual seasonal trend, though far below the past two years. Our index of coal production, adjusted for normal growth and seasonal fluctuations, is nearly 30% below normal.

The daily average rate of petroleum production increased again for the week but is still running considerably below last year's level.

Electric power production continues to run behind last year, the deficit for the latest week amounting to nearly 2%. There was, however, an unseasonal upturn in power production the last weeks of June last year, when the boom was reaching its height. Our index of electric power production, adjusted for year-to-year growth and seasonal fluctuations, rose from 97.6% of normal to 98.3%.

Commodity markets have on the whole been somewhat steadier this week. Though the wheat average of cash prices in Kansas City is considerably lower, July wheat at Chicago rose from its low figure of 88⅜ cents on June 24 to 91 cents on July 1 closing. The comeback in September futures was even stronger. July cotton rose from its low figure of 13.40 cents June 23 to 13.53 cents on July 1 closing in New York. Tin has been fairly firm, rubber and lead slightly stronger, sugar and copper steady. The iron and steel composite declined somewhat further.

The Fisher all-commodity index declined again, but the rate of decline in the latest week is still below the average during the whole period since last July. The National Fertilizer Association index also showed a drop.

General Trade Indicators

The general trade indicators are still irregular but on the whole encouraging. Total freight carloadings declined further for the week and the deficit below last year is now largest so far in 1930, but the relation to 1928 figures is somewhat better. The trend so far in June has not been markedly different from that in normal years. Non-bulk carloadings were 12.2% below last year, the largest deficit, with one exception, so far. In comparison with 1928, however, the deficiency, 5.7%, is somewhat lower than the average during the past month. Our index of this group of carloadings declined from 88.7% to 88.1% of normal.

Check Payments

Check payments outside New York City, though showing a decline for the week, were 1.8% above last year. This is the first increase over last year's figures so far recorded in 1930, with exception of the second week in January. The latest week's bank debits were over 7% above 1928. Our index of bank debits outside New York, based on the average for the last two weeks and adjusted for seasonal fluctuations and normal growth as well as price changes, rose from 97.8% to 102.8% of normal. In 131 cities outside stock trading centers check payments were still about 8% below last year.

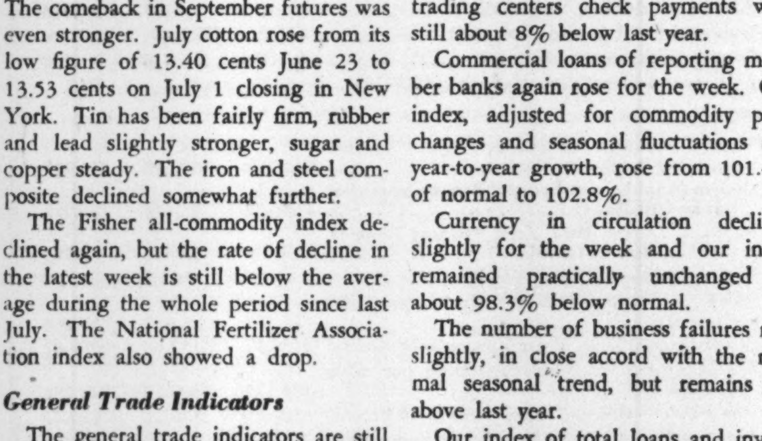
Commercial loans of reporting member banks again rose for the week. Our index, adjusted for commodity price changes and seasonal fluctuations and year-to-year growth, rose from 101.4% of normal to 102.8%.

Currency in circulation declined slightly for the week and our index remained practically unchanged at about 98.3% below normal.

The number of business failures rose slightly, in close accord with the normal seasonal trend, but remains far above last year.

Our index of total loans and investments of reporting member banks for the latest week, adjusted for seasonal fluctuations, normal growth and changes in the general price level, rose again for the week and is now 2.3% above normal, indicating that the rate of credit expansion continued to increase.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.



Final reports of department store sales in May show a decline of 2% below May last year. Declines ranging from 1% to 8% were shown in eight of the twelve Federal Reserve districts. Sales in the Boston and Kansas City district were unchanged; in the New York district they were 5% above last May and in the Richmond district 4% higher. By departments the largest declines for the year were shown in woolen dress goods, women's coats and suits, Oriental rugs, China and glassware. Marked increases over last year were shown in sales of gloves, neckwear, millinery, corsets and brassieres, women's shoes and misses' dresses.

The decline in department store sales below last May was the smallest decline as compared with last year for any month so far in 1930. Department store sales this May were practically on the same level of dollar value as those for May, 1928. In view of retail price declines during the past year, amounting to more than 3%, it is clear that the volume of retail trade during May was somewhat larger than a year ago and considerably larger than in the corresponding month of 1928.

Another indication of the sustained volume of consumer buying is the fact that Montgomery Ward sales for June were 9.2% above last June, and for the first six months of the current year sales showed an aggregate increase of 6% over the corresponding period last year.

LOUISVILLE & NASHVILLE
RAILROAD
Louisville, Ky.
Office Building Extension

. . Satisfaction . . Efficiency and Economy

"I DESIRE to take this opportunity to express to you the satisfaction we have received from the manner in which this important piece of construction was handled by your people, and the efficient manner in which the building was constructed, and particularly the saving below the estimates which you have been able to accomplish."

Built under the direction and from the plans of the engineering department of the Louisville & Nashville Railroad Company, William H. Courtenay, Chief Engineer and J. C. Haly, Architect.

UNITED ENGINEERS & CONSTRUCTORS.INC
combining
Dwight P. Robinson & Co., Inc.
Day & Zimmermann Engineering & Construction Co.
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MAXIMUM RETURN TO CLIENTS PER DOLLAR INVESTED

Money and the Market

STOCKS and bonds showed a stronger tone this week while money rates moved irregularly. If the stock market and the underlying conditions which it reflects didn't look more favorable this week, they did look much less unfavorable. The market slump shows the signs of having reached its end.

Continuing the rally with which last week closed, stocks held up to levels several points above the lows from which they began to climb. Nearly every group shared in the advance. Furthermore, the present week brought that almost unfailing sign of an ended movement—a large drop in volume. Sales on Wednesday were only 1,231,000 shares, the smallest day the Exchange has seen since June, 1928.

Stocks on this movement of recent weeks failed on the average to go below the levels of last fall, though there were many exceptions—among them, rail shares. The slump, then, may be said to have "tested" the low levels reached last fall, and found them solid. Averages made what chart readers call a "double bottom." All of this is encouraging, both by precedent and by reason. An immediate upturn is not forecast by these signs. They simply indicate that when the next movement does come it will be upward—always assuming the bottom doesn't drop out of business. And that isn't expected.

The Bond Market

After its slump of last week the bond market remained almost motionless until the latter part of this week. Then it pointed upward. Renewed buying of banks for investment account finally was felt through the rain of new issues in the bond market. Almost $165 millions of investments have been added by weekly reporting member banks alone in the last two weeks.

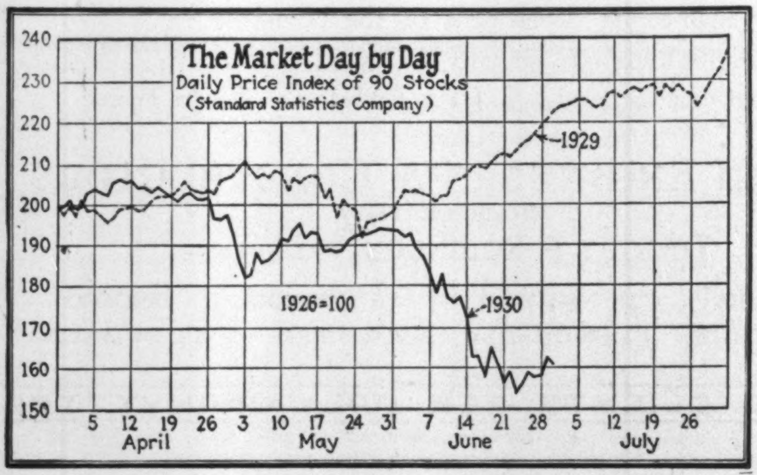
Commercial loans by reporting member banks increased for the second consecutive week, much the sharpest upward movement of the year. This indicates a larger commercial demand for money than since last November. Security loans declined by $128 millions and now are below the total of commercial loans after being above that total only 4 weeks. (*The Business Week*, July 2, 1930.) However, this decline was not at all commensurate with the $371 million drop in brokers' loans last week. The shift to banks from brokers is clearly attested.

Brokers' loans as reported monthly by the New York Stock Exchange dropped $1,020,120,623 in June, according to figures released this week. This decline is even greater than shown by the roughly comparable figures of the Federal Reserve weekly reports for the period.

Fiscal Year Ends

The end of the fiscal year came this week for the government and a number of corporations and brought with it tightened conditions in call money. The call rate firmed up to 3%. The large transactions incident to dividend and interest distributions and bank window dressing for the June 30 call date resulted in a withdrawal of funds. A large increase in currency circulation for the July 4 and the long week-end holiday was another factor.

This tightening just now seems temporary, because of the large supply of funds available. But sharp increases in commercial loans by banks, if continued, mean a business demand that will absorb more funds and keep rates above the extreme low levels. This development is only a possibility.



Federal Reserve Rates

The Federal Reserve Bank at Philadelphia cut its discount rate to 3½% from 4% this week, moving toward the low levels established by New York when it recently dropped to 2½%. The Boston Reserve bank lowered its rate to 3% from 3½%. The New York bank reduced its buying rate for bankers' acceptances to 1⅞%, lowest in the history of the institution. The supply of bills is scarce, and the Reserve is experiencing difficulty in obtaining them.

The Reserve system this week was called upon by the Royal Bank of Canada to release credit and lead the way to stop falling commodity prices. This suggestion, coming more frequently in recent weeks, is being widely discussed in business and financial circles. It was dealt with at some length on this page in the issue of June 25.

Washington's discussion of the stock break continued this week and brought forth a statement from President Hoover. No investigation was planned, he said. This was immediately interpreted to mean that he had "sat" upon Congressional ambitions for such an inquiry. Congressional charges that the decline was a manipulated affair to discredit the administration and the tariff bill are widely branded as preposterous and deprecated as unsettling and unhelpful.

Treasury Figures

The Treasury's surplus of $184 millions with which it closed the fiscal year this week was encouraging. Deducting the $76 millions resulting from foreign cash debt payments (*The Business Week,* June 25, 1930) the bona fide surplus was $108 millions, a good showing. The general results of income and expenditures for the year came close to the Treasury's estimates. Total receipts were $4,178 millions, expenditures $3,994 millions. Both were an increase from last year's totals.

The Treasury has preserved silence about the outlook for the new fiscal year opened this week. With expenditures rising rapidly and with taxes to be paid in the present calendar year almost certain to decrease, little hope remains for a continuation of the low tax of 1929. A restoration of the old level appears certain, but definite determination will wait until fall—which is a good thing for business now.

THE NEW STATESMANSHIP OF SELLING

the super-yes and— the super-no

A story came over our desk recently.

There was, it seemed, a salesman who did not get the Big Contract. He was the ranking salesman of his concern, a $20,000 a year man.

When he reported that this particular Big Contract had gone to a competitor the Vice President and Director of Sales called the salesman into candid conference.

"What you should have done," the Vice President concluded, "was to have gone right up to the top."

"Top?" choked the disgruntled one, "What do you mean, top? Hell, there is no top any more."

There are, of course, tops to all business institutions. But, like the modern sky scraper, many of the heights are dizzy and veiled in the mists of intricate corporate control.

✦ ✦ ✦

Even the most casual examination of the directorates of great American corporations and the activities of their executives shows that our banks are not entirely run by bankers, that our factories are not entirely run by industrialists and our retail establishments not run by merchants. Business has jumped the compact grooves of an older tradition—and spread up, out, and into complex relationships.

✦ ✦ ✦

Countless sales made in the past year were not sales at all. They were negotiations. They involved contracts running into large sums—so large that they required company discussion at detailed length. They involved policies. They involved finance. They called upon *all* the managing and directing minds to aid the right decision.

This is what happened to the salesman in the story. He could not cover *all* the minds. He didn't know *who* all the minds were or how much weight those unknown opinions exerted. Somewhere within the concern he was trying to sell there was a super-yes and a super-no. He couldn't—or didn't—locate it.

His proposals were discussed by committees, both formal and informal. They were even taken up to the directors. What happened to them?

The answer is lost in the administrative superstructures of modern, complex organization. But of this one thing we may be sure: *the salesman could not get all his information into the minds of all the other men.*

✦ ✦ ✦

Here is a challenge to the statesmanship of selling.

The statesmanship of selling starts with the recognition that there *is* such a thing as a super-yes and a super-no—that there are men who exercise a veto or assign a preference to business purchases.

The statesmanship of selling will take the view that those who exert the super-yes and the super-no may be unreachable through the doors of their offices, but that the portals of their minds are never closed to the worthy message of the pen. It will go forward on the conviction that the harder these most important men are to see, the more vital the need to engage their informed good will through advertising well directed.

THE
BUSINESS
WEEK

✦ ✦ ✦

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Check Payments, House Building Show Gains in Some Regions

Complete Data from Federal Reserve Districts Indicate Activity in the South

BUSINESS became more active in the South during May, but for the nation as a whole remained at about the level of April, it is shown by regional statistics just now available. *The Business Week* presents in the table below a survey of detailed conditions in the twelve Federal Reserve districts. The comparisons made are with April, 1930, unless otherwise noted.

April had the delayed Easter this year, making April perhaps better than it otherwise would have been. No adjustments are made in these figures to care for seasonal or other fluctuations, the comparisons being direct. Some of the increases shown, therefore, are in part due to seasonal increase. This applies to building especially.

Check payments and building operations are encouraging in some districts. Checks in the Richmond district, for instance, topped 1929. This has happened but once before (in another district) this year. In several districts the gap between 1929 and 1930 figures is narrowing.

Building operations, like check payments, are making an exceptionally good showing for some districts, though the total figures are not so impressive. Residential building is slowest, but it is picking up in various regions. The fact that these figures represent contracts actually let is a good omen for the state of general business in the next few months.

The decline in life insurance sales is accounted for by an unusual factor this year. The late spring and early summer marked the time limit in several states for changes in policy provisions, especially regarding disability. These changes were ordered or agreed upon by the companies. Prior to these dates salesmen made strenuous solicitations, emphasizing the advantage of obtaining the more liberal provisions.

The irregularity in savings deposits in the various districts simply follows the trend of the year. Poor business and unemployment have brought irregularity to savings, and building and loan association deposits. Borrowings against life insurance are reported in some districts.

The decline in member bank indebtedness to the Federal Reserve system has stopped or practically stopped in every district. The banks throughout the country appear to have liquidated about as much as possible.

Money rates for commercial loans are showing less decline. Loans to the most favorably situated businesses still range from 5% to 6%. For smaller and less favorably situated business the rates naturally are from ½% to 2% higher. So business generally is not obtaining credit so cheaply as the spectacular declines in open market rates at New York might indicate.

The declines in commercial loans in every district are not so severe as the bare facts seem to indicate. The volume of commercial paper and bankers' acceptances outstanding is far higher than a year ago. Thus businesses in the financial centers of Chicago and New York especially are using more credit than the trend shown by the declining commercial loans.

Survey of Business by Federal Reserve Districts

Federal Reserve Districts	*General Business*	*Commercial Loans*	*Time Deposits*	*Check Payments*	*Department Store Trade*	*Building Contracts*	*Commercial Failures*	*Savings Deposits*	*Life Insurance Sales*	*Rates on Prime Commercial Loans*
BOSTON	Slower	1.7% less, below 1929	Increase, and above 1929	Off fractionally	Slightly larger	Residential up, total off	More and larger		Decrease	Easier by ¼%
NEW YORK	Slightly less activity	Down; far below 1929	Up; 14% above 1929	Decrease	A little less	Total off; more residential	Larger and more numerous	$7,000,000 larger	Drop	Slightly easier
PHILADELPHIA	Not much change	Down, more than 1929	Larger; 11% above 1929	Almost no change	Decline of 4%	Almost halved	Same number but smaller		Increased	No change at 4½-5½
CLEVELAND	About the same	Decline	Decline	A little larger	8% decrease	Increased total and residential	More and larger	Increase $4,000,000	Down 9%	A shade easier
RICHMOND	Slightly more active	Drop and below 1929	Slightly larger	Increase; well above 1929	Less, but above 1929	Decided drop	Fewer; value halved		A little less	Easier by ¼ to ½%
ATLANTA	A little more active	Less and below 1929	Same, above 1929 total	Slightly smaller	3% less	Total up and above 1929	Fewer, but larger		Slight increase	No change at 5½-6%
CHICAGO	Not much change	Larger	Very slightly more	Increase	Decline of 6%	Considerably smaller	Some increase	Slight increase	$5,000,000 less	Same at 4½-5%
ST. LOUIS	Improvement	Decline of $5,000,000	No change	Considerably larger	Large drop	Residential off, total increase	More		Some decline	½% lower
MINNEAPOLIS	Less activity	Decline of $9,000,000	Up	Lowest since February	Large decrease	Residential; total decline	Decrease number and value	Continue to increase	Slightly smaller	Easier by about ½%
KANSAS CITY	Slower	Larger by $2,000,000	Slight increase	Larger	A little less	Considerable let up	Fewer and smaller	Total less, acc'ts fewer	Least since February	No change 5¼-5½%
DALLAS	Not much change	Smaller	A little larger	Decrease recorded	No change in volume	Resident same; total off	Fewer and less value	Up and 1.6% above 1929	Very little change	Same at 5-5½%
SAN FRANCISCO	About the same	Year's drop continues	No change; above 1929	About the same	Same, at 1930 high		More; less than 1929	Down for third month	Off	No change at 5-6%
UNITED STATES	Averaged about the same	Less by 1.4%	Continued increase	Small decline	Decline of 2%	Residential and total increase	Increase of 10%	Very little change	Decrease	Slightly easier

The Business Week summary from original material: Federal Reserve system statistics for department store sales, check payments, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau

The Dublin Letters

To Mr. Derby Thomas—Just a Little Bit More on the Subject of General Genius

Office of James W. Dublin
New York
November, 1927

Dear Derby:

When I wrote you my hoarse memo on the Manley foozle I honestly believed I had said all there was on the subject.

But last evening your Aunt Jen and myself were flashing out with the banking set to dinner and theater and I stumbled across some more material. With your kind permission I will now use it to sew a border around the pattern of thought I gave you yesterday.

Among the five boiled shirts in our party was none other than Mr. Michael J. O'Dell, known in financial circles as "Quiet Money Mike." He is reputed to be worth at least seventy-five million, lives with an old maid sister, collects first editions, keeps his name out of the papers. He is one of the greatest living students of finance and industry and maintains his own personal staff of economists, engineers, and research detectives to get the facts. He is a director of I don't know how many banks and corporations, and showers his sister with gold pieces from the directors' table.

Mr. O'Dell and myself drifted into a discussion of business—not present conditions, but looking ahead into the mid-century. It was easy to let the imagination run into a tremendous panorama wherein billion dollar corporations were a commonplace; national and per capita wealth a miracle; fierce competitive battles being waged on a gigantic scale; production capacity organized to supply half the world as well as our own domestic needs.

"Where are we going to get the men?" asked the banker suddenly.

"I thought you were only interested in earning records, tangible assets, and financial structures," I replied.

"No," he said. "Perhaps in the past. But now we look to management, too. We think we have discovered a definite relationship between earnings and men."

He gave me a queer, dry smile and went on. "My own particular view is that our fast expansion has tended to make organizations weak in what you might term the middle strata. In many cases, I think the material is too thin between the officials of a company and the labor. The labor factor has been well handled by high wages, improved machinery, and shop practice. Time and attractive salaries have selected a good president and two or three able vice-presidents. But in between the top and the bottom of the barrel the apples don't always grade out, it seems to me.

"And I think this is an important thing to be considered. It will be vital in the future, because management must delegate more and more. To whom? It must delegate larger responsibilities than the owner of a business reserved for his own personal duties in the earlier days of industry. Who will shoulder them? It must be men who can qualify in something more than the routine of their departmentalized work. They must be men who can think above and beneath and sideways on their jobs.

"Now please don't misunderstand me as a man who is afraid of bigness. I only say it is *conceivable* that our fast rate of growth *could* bring about a condition in which we had enormous capitalizations, great surpluses of wealth and facilities for producing it, and a man-power available for administration which *would not balance in the ability to handle the situation.*"

I think I have quoted Mr. Michael J. O'Dell accurately. And what he says has, I feel, a double significance to a Derby Thomas. First, he was looking ahead into that period when you will be in your prime and when the final decision will be made as to what your matured success will be. Second, he indicates the value of *general genius.*

Now you will wonder, perhaps, why I have made a mountain of talk out of the molehill of the Manley incident. I'll tell you why. *It wasn't a molehill.*

Some nightfall, perhaps, when I am dozing into my venerable beard, you will crash into the room and say: "Had a big customer almost hooked this afternoon. But I guess my tackle was too light and he got away.

"It was a tough break," you will say. "I need an organization that'll give me more support."

An eerie, rickety smile will flutter from under my grizzled lambrequin of a mustache. Perhaps I'll heave a happy sigh or two. For then I shall feel, at last, we have achieved the perfect understanding.

J. W. D.

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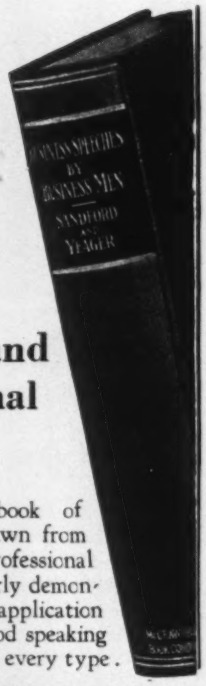

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

July 9, 1930

The Castor-Oil School Of Economics

ONE of the most depressing things about this business depression, in these later stages, is the way the fatalists and bitter-enders have returned to power and influence over business thinking. It is true that they are not all lacking in consistency, as are some of the crowds of new recruits to the ultra-marine battalions of Wall Street pessimism, who a year ago were maintaining that even the sky wasn't the limit. Some of them viewed with stern puritan disapproval and foreboding the gay proceedings of yesteryear; but they didn't have much to say about it, or say it very loudly.

Now, however, they are making up for their forbearance of that time by a savage insistence upon the inexorable necessity that an errant and self-indulgent business community shall take its medicine, and plenty of it; that it shall suffer, by Jupiter, without relief or palliative till it has learned its lesson, whatever that is; that, having danced on Sunday in violation of the blue-laws of the economics of original sin, it shall pay the piper—in dollars of greatly increased purchasing power. To a business world which has lost its bearings in the present and a good deal of its faith in the future, and which comes to them not merely for sympathy but for guidance, these statistical high-priests and economic father-confessors grimly present the castor-oil bottle and pour us daily a larger dose, without even a dash of disguising flavor to help it down.

The only way that business can recover, according to their homely and primitive pharmacopoeia of political economy, is by a prolonged and painful purging process. Prices must be allowed to fall as far as they like, wages must be cut, costs reduced, credit closely restrained, debts paid, borrowing avoided, everything deflated until the body politic is able to go back again to a plain diet of pork and beans, without any tomato sauce. No matter how long it takes or how much the patient suffers, nature must be allowed to take her course. Every effort to cushion the shock, ease the pain, speed recovery is a mere resort to "drugs," "nostrums," "panaceas," which are sinful. The business cycle must be yielded its pound of flesh, for such is the letter of the Economic Law, and they are its particular, private law enforcement commission.

Now, we are all for upholding the constitution of the Economic Universe including the Eighteenth Amendment, but we think this attitude is a bit far-fetched and archaic, and somewhat out of key, in the business world of today, with the adventurous and open-minded spirit of the daring document whose signing we celebrate this week. We understand and regret as fully as anyone the folly, blindness, and intemperance of recent years which led to the recession from which we are now emerging. We were as sarcastic as anyone about the illusions of the New Era, and sooner, long before it exploded. But we do not believe it was a total loss, devoid of any redeeming virtue.

Beneath its recklessness we believe there was a quality upon which prosperity will always depend, in this and every country, far more than upon abject, fatalistic resignation to economic law. That quality is faith in the efficacy of individual and collective human intelligence and effort to control the destiny and maintain the progress of business. That quality we are sure remains over from the New Era, and is silently at work turning the tide toward recovery, beneath the waves of fatalistic pessimism that ruffle the indigo ocean of business sentiment today.

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